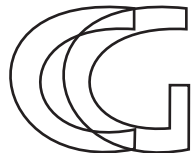


# **First Equity Modaraba**



# **ANNUAL REPORT 2020**

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



*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*

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

### *Risk Management Committee*

Qaiser Ahmed Magoon  
Nadeem Maqbool  
Adil A. Ghaffar

### *Audit Committee*

Qaiser Ahmed Magoon  
Alizeh Bashir  
Nadeem Maqbool

### *HR Committee*

Qaiser Ahmed Magoon  
Nadeem Maqbool  
Adil A. Ghaffar

### *Registered and Business Office*

B-1004, 10th Floor  
Lakson Square Building # 3,  
Sarwar Shaheed Road,  
Karachi

Tel: 35672815-8

Fax: 35686116

E-mail: [info@firstequitymodaraba.com.pk](mailto:info@firstequitymodaraba.com.pk)

Room No. 503 - 504  
5th Floor,  
Pakistan Stock Exchange  
Building, Karachi.

Tel: 32446020-3

Fax: 32460766

### *Auditors*

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants  
4th Floor, Central Hotel Building,  
Civil Lines, Mereweather Road,  
Karachi, Pakistan

Tel: 92-21-35644872-7

Fax: 92-21-35694573

### *Bankers*

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

### *Registrar*

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

### *General Counsel*

Moshin M. Tayebaly & Co.  
Advocates & Legal Consultants

# TEN YEARS AT A GLANCE

Rs.In '000

BALANCE SHEET	June2011	June2012	June2013	June2014	June2015	June2016	June2017	June2018	June2019	June2020
	Authorised Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Issued Subscribed & Paid-up-capital	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400
Reserves	75,156 (36,738)	81,834 (43,147)	110,463 (7,355)	115,035 (13,150)	117,529 (20,170)	119,794 (25,286)	130,843 (30,023)	126,650 (37,125)	123,347 (53,437)	117,485 (49,037)
Revaluation Reserve on Investment	1,607	1,832	2,092	1,556	2,655	2,934	2,864	4,046	4,252	4,551
Deferred Liabilities	21,422	8,784	6,139	11,857	24,657	7,940	62,860	12,283	8,333	9,730
Creditors, accrued expenses and other liabilities	-	-	-	19,665	8,914	6,817	31,464	-	-	-
Profit distbtion	26,262	26,082	26,003	25,967	27,618	27,845	28,730	29,642	29,561	29,560
Unclaimed profit dastribution	1,547	3,773	3,773	-	-	-	-	-	-	-
Provision for taxation	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456	636,691
Tangible Assets	18,580	19,131	19,234	17,849	17,377	16,361	8,825	7,931	9,125	7,788
Intangible Assets	53,051	53,051	19,000	19,000	19,000	19,000	10,000	-	-	-
Investments	292,584	307,017	373,192	431,784	423,890	426,898	499,291	453,889	430,925	430,652
Morabaha/Musharaka Receivables	132,542	137,621	150,039	159,320	153,003	140,333	134,320	136,668	139,583	53,075
Advances, deposits prepayments and other receivables	59,642	52,954	54,475	48,501	52,048	51,063	57,308	49,780	52,439	54,418
Cash and Bank balance	57,257	33,784	49,575	9,889	20,285	10,789	41,394	11,626	4,384	90,758
	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456	636,691
<b>PROFIT &amp; LOSS ACCOUNT</b>										
Income / (loss)	18,423	30,393	53,722	46,938	34,684	30,680	82,329	17,246	19,814	16,691
Operating expenses	(16,567)	(20,500)	(25,093)	(22,242)	(21,775)	(21,587)	(34,290)	(21,439)	(23,117)	(22,552)
Provision for diminution in value of investment	(1,615)	-	-	-	-	-	-	-	-	-
Modaraba company's Management'fee	-	(989)	(989)	(3,307)	(1,511)	-	(5,526)	-	-	-
Taxation	(60)	(2,226)	(2,226)	-	-	-	-	-	-	-
Profit/ (Loss) for the year	181	6,678	28,629	24,696	11,398	9,093	42,513	(4,193)	(3,304)	(5,861)
Cash Distribution	-	-	-	3.75%	1.70%	1.30%	6.00%	-	-	-
Earnings per certificate	0.003	0.127	0.127	0.471	0.217	0.173	0.81	(0.08)	(0.06)	(0.11)
Breakup value	10.73	10.74	11.97	12.33	12.03	11.93	12.52	11.71	11.33	11.31



**ANNUAL SHARI'AH REVIEW REPORT OF  
FIRST EQUITY MODARABA (FEM)  
FOR THE YEAR ENDED JUNE 30, 2020**

*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: ASRR-20

Date: 05-10-2020

**Annual Shari'ah Review Report of  
First Equity Modaraba (FEM)  
for the year ended June 30, 2020**

*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, 2020 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas and report that except the observations as reported hereunder, in my opinion:

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

**Training and Development:**

The key staff of the FEM is fully equipped with Islamic finance tools and industry requirements through training. One key staff member attended the session on Anti Money Laundering arranged by Modaraba Association of Pakistan.

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

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

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

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

**Charity:**

An amount of Rs. 6,875/- was collected in charity account and amount of Rs. 1500/- was disbursed during the period.

*Mufti Abdul Qadir*

B-41 Block N, North Nazimabad Karachi, Near Sakhi Hassan Post Office 74700, Pakistan  
Cell Number: 0321-2103451, Email Address: abdulqadirh\_22@yahoo.com, abdulqadirh\_22@hotmail.com

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**ANNUAL SHARI'AH REVIEW REPORT OF  
FIRST EQUITY MODARABA (FEM)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Observations:**

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

With reference to the settlement of the issues:

1. As regard to the investment in shares and securities, it has been confirmed that First Equity Modaraba has only Shari'ah Compliant Shares in its portfolio except the shares of the company turned non Shari'ah compliant as per their last accounts due to non-compliance with screening criteria. On my query, the management has confirmed that such non Shari'ah compliant shares have been disposed of on the reporting date except the shares of companies whose trading is still suspended.
2. It has been observed that the Modaraba has placed its funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks.
3. As regards, Musharakah agreements, they are on the formats as approved by the Religious Board.

**Recommendations:**

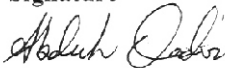
1. The Non Shariah Compliant suspended shares should be disposed of at earliest.
2. The charity amount should be fully distributed to the approved charitable organizations within the ideal time frame as specified in SCSAM.
3. The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.

**Conclusion:**

Based on the above mentioned facts, I am of the view that the business operations of First Equity Modaraba are Shari'ah compliant, to the best of my knowledge.

May Allah make us successful in this world and hereafter and forgive our mistakes.

Signature



Mufti Abdul Qadir

Shari'ah Advisor

Dated: October 05, 2020



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

Name of Modaraba:            FIRST EQUITY MODARABA  
Year ending:                    JUNE 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 4 as per the following:
 

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

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

Mr Qaiser Ahmed Magoon	Chairman
Ms Alezeh Bashir	Member
Mr Nadeem Maqbool	Member
  - b) HR and Remuneration Committee
 

Mr Nadeem Maqbool	Chairman
Mr Adil A Ghaffar	Member
Mr Qaiser Ahmed Magoon	Member
  - c) Risk Management Committee
 

Mr Nadeem Maqbool	Chairman
Mr Adil A Ghaffar	Member
Mr Qaiser Ahmed Magoon	Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. Quarterly the Audit Committee meetings is held, whereas one meeting each of HR and Remuneration Committee and Risk Management Committee is held.
15. The Board has set up an effective internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. We confirm that there is no noncompliance with requirements of CCGR.

On behalf of the Board

Adil A Ghaffar  
Chief Executive Officer

October 05, 2020  
Karachi

# REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of the Premier Financial Services (Private) Limited, the management company of the **FIRST EQUITY MODARABA (FEM)**, are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and its wholly owned subsidiaries Equity Textiles Limited, Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd for the year ended June 30, 2020.

## Financial Results

FEM (loss) for the year amounted to Rs.(5.86 ) million as compared to Rs (3.304) million for the last year translated in a loss per certificate of Rs. (0.11) as compared to Rs. (0.06) last year. Break-up value per certificate amounted to Rs. 11.31 against Rs. 11.33 last year.

	Rupees
Income	16,457,325
Expenses	
Operating Expenses	( 22,548,898)
Bank Charges	( 3,579)
	( 22,552,477)
Operating profit	( 6,095,152)
Other Income	233,842
Loss for the year	(5,861,310)
Loss per Certificate	(0.11)

## Dividend Distribution

Since the Modaraba sustained loss during the year, consequently there would be no announcement of profit distribution. However to meet the regulations, date of book closure would be from December 08, 2020 to December 19, 2020 (other days inclusive)

## Auditors Qualification

Auditors qualified their opinion based on non compliance of International Financial Reporting Standard relating to adjusting cost to fair value of marketable securities and any profit / loss should be taken / charge to profit and loss account for the year amounting to Rs 3.7 million (2019: RS (16.8) million). Our principal stand format accepting auditors' qualification was based on the fact that, firstly, we do not foresee that these impairments are of permanent nature. Secondly, our Industry was established on the concept to distribute what it earns on yearly basis. Our regulators made it mandatory that to claim income tax exemption modarabas have to distribute 90% of profit for the year in the form of cash dividend to certificate holders. Therefore, adjusting cost to fair value would tantamount to distribution of either unrealized capital gain or recovery of cost.

## Our Performance and Future Prospects

Alhamdulillah, with Covid 19 in place, we have not been hurt significantly.

We commenced the second half with a self assumed target to call in Musharaka receivables. This self target made prior to Covid 19 seems to be an uphill task but with the grace of All Mighty Allah we have succeeded in achieving our targets.

For the year under review, we were able to collect Rs. 68.1 m under Musharaka receivables and Rs. 19.5 m under accrued profit on Musharaka, total of Rs. 87.6 m. We are pleased to report that our drive for collection continued after the year ended June 30, 2020 and subsequent to the balance sheet date we have collected Rs.45m under Musharaka receivables alongwith the profit thereon. We are hopeful that this self target will yield fruitful results.

Pakistan Stock Exchange index, KSE-100 and KMI 30 started moving in upward direction from June 2020 onwards. Alhamdulillah, we were geared up for this in terms of cash resources to get maximum out of it. However, being prudent, we restricted ourselves till the year end to observe the movements in stock exchange. Thereafter, from July 2020, we have started operating in stock market and successfully attained reasonable yield.

We strongly believe that with monetary policy rate at 7% investment in stock market will yield much more. Accordingly, we have diverted funds released from lending to stock market in dividend payout stocks.

We do not concur with one of the criteria of selection of companies as followed by PSX KMI All Share Islamic Index of Pakistan. Amongst the list of six criteria, one of the criteria requires that market price should be more than the liquid assets of the entity. We strongly believe that market price is determined by market forces of demand and supply and is something beyond the control of management. We urge regulators to take cognizant in the matter.

ETL has increased its production by injecting back process machinery which is part of BMR, as a result production and sale have increased. The cotton crop is not expected better during the next crop year, as a result ETL have to import raw cotton to meet the requirements. As you are aware that due to COVID-19 the economic conditions had deteriorated from April'20 onwards and the textile sector being adversely affected due to its susceptibility to changes in the world markets, the profitability of ETL has also affected. We are hopeful that the situation is now improving and we will continue monitoring its performance. ETL incurred a loss of Rs (38.1) million as compared to profit of Rs 5.85 million last year with loss per shares at Rs (1.53) as compared to earning per share of Rs 0.23 last year. However, ETL's book value decreased from Rs. 29.35 June 30, 2019 to Rs. 27.75 in June 30 2020.

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

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

## Board of Directors & Committees

(i) total number of directors

(a) Male	3
(b) Female	1

(ii) composition including the following,-

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

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

	Name of Board Members		Meetings Attended
1	Mr. Zahid Bashir	Non-executive Director	2 out of 2
2.	Mr. Nadeem Maqbool	Non-executive Director	4 out of 4
3	Ms Alizeh Bashir	Non-executive Director	0 out of 0
4.	Mr Qaiser Ahmed Magoon	Independent Directors	4 out of 4
5.	Mr. Adil A. Ghaffar	Executive Directors	4 out of 4



# REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

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

- |    |                                      |          |
|----|--------------------------------------|----------|
| a) | <i>Audit Committee</i>               |          |
|    | Mr Qaiser Ahmed Magoon               | Chairman |
|    | Ms Alezeh Bashir                     | Member   |
|    | Mr Nadeem Maqbool                    | Member   |
| b) | <i>HR and Remuneration Committee</i> |          |
|    | Mr Nadeem Maqbool                    | Chairman |
|    | Mr Adil A Ghaffar                    | Member   |
|    | Mr Qaiser Ahmed Magoon               | Member   |
| c) | <i>Risk Management Committee</i>     |          |
|    | Mr Nadeem Maqbool                    | Chairman |
|    | Mr Adil A Ghaffar                    | Member   |
|    | Mr Qaiser Ahmed Magoon               | Member   |

### **Code of Corporate Governance**

As stated in previous years Report that the Board has decided to adopt the code of corporate governance as issued by the Securities and Exchange Commission of Pakistan and made part of listing regulation

All activities are conducted as per the listing regulations /Rule Book of the stock exchanges. Vision & Mission statements, Core values, Statement of Ethics and Business Practices and Code of Conduct have been prepared and approved by the Board and have been communicated to the employees. Significant policies as required under the Code of Corporate Governance have been framed and are periodically reviewed by the Board.

As required by the Code of Corporate Governance, Directors are pleased to report that:

- a. The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of accounts of the Modaraba have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed in the Annual Report.
- e. The system of internal control is consistently applied though out the year and has been effectively implemented and monitored with ongoing efforts to improve it further;
- f. A sound monitoring and control system for Anti Money Laundering and Risk Management Policy as elaborate in the guidelines have been implemented to identify, manage and report different types of risks associated within the Modaraba
- g. There is no doubt about the Modaraba's ability to continue as a going concern. There is no risks and uncertainties is facing by FEM;
- h. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2020, except for those disclosed in financial statements; and
- i. There has been no material departure from the best practice of corporate governance as detailed in the listing regulation /Rule Book of the Stock Exchange and Regulations framed.

### **Pattern of Shareholding**

Pattern of certificate holding as at 30th June 2020 is annexed with the annual report 2020.

### **Key Operating and Financial Data - annexed**

### **Sad demise of our Chairman**

With profound grief it is to inform that our beloved Chairman Mr. Zahid Bashir passed away during the year. May Allah SWT bestow HIS blessings on him and give courage to the family to sustain this irreparable loss.

### **Staff Retirement Benefits**

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

### **Auditors**

The present auditors M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants have completed their term of 5 years as per Code of Corporate Governance. The Board has recommended the name of Crowe Hussain Chaudry & Co., 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

Karachi:  
October 05, 2020

**Adil A Ghaffar**  
Chief Executive Office

# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

- ☆ مضاربہ کی باضابطہ حسابی کتب برقرار رکھی گئی ہیں۔
- ☆ مالی بیانیوں کی تیاری میں مناسب محاسبتی پالیسیاں تسلسل کے ساتھ لاگو کی جاتی رہی ہیں جبکہ محاسبتی تخمینہ کاری معقول اور دانشمندانہ فیصلوں پر مبنی ہوتی ہیں۔
- ☆ مالی بیانیوں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی پیروی کی گئی ہیں اور اس سے کسی انحراف کو سالانہ رپورٹ میں معقول انداز میں بیان کیا گیا ہے۔
- ☆ جملہ سال اندرونی نظم و نسق کا نظام موثر طرز سے ترتیب دیا گیا ہے اور مزید اصلاح کیلئے اس پر موثر انداز میں عملدرآمد و نگرانی جاری ہے۔
- ☆ مضاربہ کی صلاحیت کے بارے میں اس میں کوئی شک نہیں کہ اس کا کاروبار جاری و ساری ہے؛ اور
- ☆ اینٹی منی لائڈ رنگ اور رسک مینجمنٹ پالیسی کے حوالے سے ایک مربوط انضباطی اور نگرانی کا نظام وضع کیا گیا ہے تاکہ مضاربہ کو مکمل طور پر درپیش مختلف قسم کے خطرات کی نشاندہی کی جاسکے، ان کا انتظام و انصرام کیا جاسکے اور رپورٹ کی جاسکے۔
- ☆ ٹیکس، ڈیویڈنڈ و چارجز وغیرہ کی مد میں کوئی قانونی ادائیگی 30 جون 2020 تک واجب ادا نہیں ہے ماسوائے اس کے جسے اس کے مالیاتی گوشواروں میں ظاہر کیا گیا ہو؛ اور
- ☆ اسٹاک ایکسچینج کے مندرجہ ضوابط میں تفصیلات کے مطابق کارپوریٹ گورننس کی بہترین عملدرآمدی کے سلسلے میں کوئی بنیادی انحراف نہیں کیا گیا ہے۔

## حصص داری کا خاکہ:

30 جون 2020 تک سرٹیفیکیٹس کا خاکہ سالانہ رپورٹ 2020 کے ساتھ منسلک ہے۔

## کلیدی عمل کاری اور مالی اعداد و شمار۔ منسلک

### ہمارے چیئرمین کا انتقال:

نہایت ہی رنج و غم کے ساتھ اطلاع دی جاتی ہے کہ ہمارے محترم چیئرمین جناب زاہد بشیر دوران سال انتقال کر گئے۔ اللہ سبحانہ و تعالیٰ سے دعا ہے کہ ان پر رحمتیں نازل کرے اور اس ناقابل تلافی نقصان کو برداشت کرنے کیلئے ان کے اہل خانہ کو ہمت عطا فرمائے۔ (آمین)۔

### عملہ کی سبکدوشی پر فائدے:

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

### محاسبہ کار:

موجودہ محاسبہ کار میسرز بیکرٹی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹ نے کارپوریٹ گورننس کے ضابطہ اخلاق کے تحت اپنی پانچ سالہ مدت مکمل کر لی ہے۔ مجلس منتظمہ نے کریو حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کے نام کی سفارش کی ہے، ان کی تقرری رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

### تسلیمات:

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

بورڈ کی جانب سے

کراچی، اکتوبر 05، 2020ء

عادل اے غفار  
چیف ایگزیکٹو آفیسر



# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

(۲) تشکیل درج ذیل ہے:-

1	(الف) آزاد ڈائریکٹرز
2	(ب) نان ایگزیکٹو ڈائریکٹرز
1	(ج) ایگزیکٹو ڈائریکٹرز

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

سلسلہ نمبر	نام اراکین مجلس	اجلاسوں میں حاضری
1	جناب زاہد بشیر	2 میں سے 2
2	جناب ندیم مقبول	4 میں سے 4
3	محترمہ علیزے بشیر	0 میں سے 0
4	جناب قیصر احمد گلون	4 میں سے 4
5	جناب عادل اے غفار	4 میں سے 4

بورڈ نے ممبران پر مشتمل درج ذیل کمیٹیاں تشکیل دی ہیں:

(الف) آڈٹ کمیٹی

چیئر مین	جناب قیصر احمد گلون
ممبر	محترمہ علیزے بشیر
ممبر	جناب ندیم مقبول

(ب) ہیومن ریسورس اینڈ ریویژن کمیٹی

چیئر مین	جناب ندیم مقبول
ممبر	جناب عادل غفار
ممبر	جناب قیصر احمد گلون

(ج) رسک مینجمنٹ کمیٹی

چیئر مین	جناب ندیم مقبول
ممبر	جناب عادل اے غفار
ممبر	جناب قیصر احمد گلون

کارپوریٹ گورننس کے ضابطے:

جیسا کہ پچھلے سالوں کی رپورٹ میں بیان کیا گیا ہے کہ بورڈ نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ ہدایات کے مطابق کارپوریٹ گورننس کو اختیار کرنے کا فیصلہ کیا ہے اور اسے مندرجہ ضابطوں کا حصہ بنایا ہے۔

تمام تر سرگرمیاں اشاک ایکسچینج کے مندرجہ ضوابطوں کے مطابق سرانجام دی گئیں۔ نظریاتی اور مقاصدی بیانیے، بنیادی اقدار اور ضابطہ طرز عمل مجلس منتظمہ کی جانب سے تیار و منظور کئے گئے ہیں اور ملازمین کے ساتھ تبادلہ خیال کئے گئے ہیں۔ اہم پالیسیاں جو کہ کارپوریٹ گورننس کے ضابطوں کے تحت درکار تھیں، مرتب کی گئیں اور مجلس منتظمہ کی جانب سے درجہ وار نظر ثانی کی گئیں۔

جیسا کہ کارپوریٹ گورننس کے ضابطہ کے تحت درکار ہے، منتظمین انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ۔

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

# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

ہم نے قابل وصول مشارکہ کیلئے خود ساختہ ہدف کے ساتھ دوسرے حصے کا آغاز کیا۔ یہ ہدف کورونا وائرس سے پہلے ترتیب دیا گیا تھا جو کہ ایک مشکل کام تھا لیکن اللہ تعالیٰ کے فضل و کرم سے ہم اپنے اہداف کو حاصل کرنے میں کامیاب ہو گئے ہیں۔

زیر جائزہ سال کے دوران ہم قابل وصول مشارکہ کے تحت مبلغ 68.1 ملین روپے اور مشارکہ پر جمع شدہ منافع کے تحت مبلغ 19.5 ملین روپے کے ساتھ مجموعی طور پر مبلغ 87.6 ملین روپے وصول کرنے میں کامیاب رہے۔ ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ ہماری مہم 30 جون 2020ء کو ختم ہونے والے سال کے بعد بھی جاری رہی اور اس کے بعد ہم نے مینٹنس شیڈ کی تاریخ کے بعد قابل وصول مشارکہ بمعہ منافع کے تحت مبلغ 45 ملین روپے وصول کئے۔ ہمیں امید ہے کہ اس ہدف سے بہتر نتائج حاصل ہوں گے۔

پاکستان اسٹاک ایکسچینج انڈیکس، KSE-100 اور KMI 30 جون 2020 سے اوپر کی سمت بڑھنے لگا۔ الحمد للہ ہم زیادہ سے زیادہ نقد وسائل کے حصول کیلئے پوری طرح تیار تھے۔ تاہم سمجھداری کرتے ہوئے ہم نے اسٹاک ایکسچینج میں ہونے والی حرکات کا مشاہدہ کرنے کیلئے سال کے آخر تک اپنے آپ کو محدود کر دیا۔ بعد ازاں جولائی 2020ء سے ہم نے اسٹاک مارکیٹ میں کام کرنا شروع کیا اور کامیابی سے مناسب پیداوار حاصل کی۔

ہم اس بات پر پختہ یقین رکھتے ہیں کہ 7 فیصد پر مانیٹری پالیسی کی شرح کے ساتھ اسٹاک مارکیٹ میں سرمایہ کاری سے زیادہ پیداوار حاصل ہوگی۔ اس کے مطابق ہم نے ڈویڈنڈ کی ادائیگی والے اسٹاک میں قرضے دینے سے اسٹاک مارکیٹ کی طرف جاری کردہ فنڈز کا رخ تبدیل کر دیا ہے۔

ہم PSX-KMI آل شیئر اسلامک انڈیکس آف پاکستان کی پیروی کرتے ہوئے کمپنیوں کے انتخاب کے ایک معیار پر اتفاق نہیں کرتے۔ چھ معیارات کی فہرست میں ایک معیار کا تقاضہ ہے کہ مارکیٹ کی قیمت ادارے کے لیکویڈیٹاؤں سے زیادہ ہونی چاہئے۔ ہم اس بات پر پختہ یقین رکھتے ہیں کہ مارکیٹ کی قیمت کا تعین مارکیٹ کی طلب اور رسد کے ذریعے ہوتا ہے اور یہ انتظامیہ کے قابو سے باہر ہے۔ ہم ریگولیٹرز سے درخواست کرتے ہیں کہ وہ اس معاملے میں سنجیدگی کا مظاہرہ کریں۔

ETL منسوبہ بندی کر رہی ہے کہ واپس مبینی عمل کو شامل کر کے اس کی پیداوار کو بڑھایا جائے جو کہ BMR کا حصہ ہے، جس کے نتیجے میں پیداوار اور فروختگی حجم میں اضافہ ہوگا۔ آئندہ سال کپاس کی فصل میں بہتری متوقع نہیں مگر بین الاقوامی فصل میں اضافے کی توقع ہے؛ جس کے نتیجے میں ETL کو خام کپاس درآمد کرنی ہوگی تا کہ ضروریات کو پورا کیا جاسکے۔ جیسا کہ آپ جانتے ہیں کہ کورونا وائرس کے باعث اپریل 2020 کے بعد معاشی حالات ابتر ہو چکے ہیں اور عالمی مارکیٹ میں تبدیلیوں کے امکانات کے باعث ٹیکسٹائل کا شعبہ بری طرح متاثر ہو رہا ہے اور ETL کا منافع بھی متاثر ہوا ہے۔ ہمیں امید ہے کہ اب صورتحال بہتر ہو رہی ہے اور ہم اس کی کارکردگی کی نگرانی جاری رکھیں گے۔ ETL نے پچھلے سال منافع مبلغ 5.85 ملین روپے کے مقابلے میں اس سال مبلغ (38.1) ملین روپے خسارہ کے ساتھ پچھلے سال کی فی حصص آمدنی مبلغ 0.23 روپے کے مقابلے میں اس سال فی حصص خسارہ مبلغ (1.53) روپے ظاہر کیا ہے۔ تاہم ETL کی بک ویلیو 30 جون 2019 تک مبلغ 29.35 روپے سے بڑھ کر 30 جون 2020 تک مبلغ 27.76 روپے ہو گئی۔

مضاربہ کے رجسٹرار نے بروکریج سے متعلقہ کاروبار کیلئے دوکل ملکیتی ذیلی اداروں کے قیام کی اجازت عنایت کی ہے۔ دوکل ملکیتی ذیلی ادارے قائم کئے گئے ہیں اور درکاراٹاؤں جات منتقل کئے گئے ہیں۔ TREC کے ٹرانسفر کیلئے ضروری معلومات اور کاغذات PSX کو جمع کرائے جا چکے ہیں اور متعلقہ قانونی عوامل کی وجہ سے زیر عمل ہیں۔

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

بورڈ آف ڈائریکٹرز اور کمیٹیاں:

(ا) ڈائریکٹرز کی کل تعداد

3 (الف) مرد

1 (ب) عورت



# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

## ڈائریکٹرز رپورٹ برائے مضاربہ کمپنی

فرسٹ ایکویٹی مضاربہ کی انتظامی کمپنی پری میئر فنانشل سروسز (پرائیویٹ) لمیٹڈ کے ڈائریکٹرز اپنی رپورٹ اور مضاربہ کے آڈٹ شدہ مالیاتی بیانیے بمعہ مضاربہ اور اس کی مکمل ملکیتی ادارے ایکویٹی ٹیکسٹائل لمیٹڈ، کمپیٹل فنانشل سروسز (پرائیویٹ) لمیٹڈ اور اینیکس فنانشل سروسز (پرائیویٹ) لمیٹڈ کے مجموعی مالیاتی بیانیے برائے سال اختتام پذیر 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

### مالیاتی نتائج:

گذشتہ سال نقصان مبلغ (3.304) ملین روپے کے مقابلے میں اس سال (نقصان) مبلغ (5.86) ملین روپے پیش ہوا، جس کی تشریح کی جائے تو پچھلے سال فی حصص خسارہ مبلغ (0.06) روپے کے مقابلے میں اس سال فی حصص خسارہ مبلغ (0.11) روپے بنتی ہے۔ مجموعہ خالص قدر فی حصص پچھلے سال مبلغ 11.33 روپے کے مقابلے میں اس سال مبلغ 11.31 روپے رہی۔

روپے میں	آمدن
16,457,325	آخراجات
(22,548,898)	عملیاتی اخراجات
(3,579)	بینک چارجز
(22,552,477)	
(6,095,152)	عملیاتی منافع
233,842	دیگر آمدن
(5,861,310)	خسارہ برائے سال
(0.11)	فی حصص خسارہ

### منقسمہ/ڈیویڈنڈ کی تقسیم:

جیسا کہ مضاربہ نے اس سال نقصان کا سامنا کیا ہے لہذا نفع کی تقسیم کیلئے کوئی اعلان نہیں کیا۔ تاہم ضوابط کے تحت کتاب مورخہ 08 دسمبر 2020 سے 19 دسمبر 2020 تک (بشمول دیگر ایام) بند رہے گی۔

### آڈیٹرز کا تبصرہ:

آڈیٹرز نے رائے زنی کی ہے کہ قابل خرید و فروخت سیکورٹیز کی فیئر ویلیو کی لاگت کا حساب کتاب بین الاقوامی اکاؤنٹنگ معیار کی عدم تعمیل کی بنیاد پر ہے اور کسی بھی نفع/نقصان کو اس سال کے نفع/نقصان مبلغ 3.7 ملین (2019) میں مبلغ (16.8) ملین کی مدد میں وصول کیا جانا چاہئے۔ ہمارا آڈیٹرز کے تبصرہ کو قبول نہ کرنے کیلئے اصل موقف یہ ہے کہ پہلا، ہم مستقبل میں ان نقصانات کو مستقل نہیں سمجھتے اور دوسرا ہماری انڈسٹری اس تصور پر قائم کی گئی تھی کہ سالانہ بنیادوں پر جو کچھ کمایا جائے اسے تقسیم کیا جائے۔ ہمارے ریگولیشنز نے یہ لازم بنایا ہے کہ انکم ٹیکس اسٹینڈیڈ کلیم کرنے کیلئے مضاربہ اپنے سرٹیفیکیٹ رکھنے والوں کو نقد ڈیویڈنڈ کی صورت میں سال کیلئے نفع 90 فیصد تقسیم کرے گی۔ لہذا فیئر ویلیو کو لاگت میں لگانا یا تو ممکنہ سرمایہ کاری کے نفع کے مساوی ہوگا یا پھر لاگت کو وصول کرنے کے برابر ہوگا۔

### ہماری کارکردگی اور مستقبل کے امکانات:

الحمد للہ، کورونا وائرس کی وباء کے باوجود ہمیں کسی مشکلات کا سامنا نہیں کرنا پڑا۔

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**TO THE CERTIFICATE HOLDERS OF FIRST EQUITY MODARABA  
REVIEW REPORT ON STATEMENT OF COMPLIANCE  
CONTAINED IN LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the Regulations”) prepared by the Board of Directors of First Equity Modaraba (the Modaraba), for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length 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 Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2020.

**Engagement Partner: Mehmood A. Razzak**

**Karachi.**

**Date: October 05, 2020**



# AUDITORS' REPORT

## TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2020 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) Modaraba has charged gain of Rs. 3.7 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IFRS 9.

Had the Modaraba charged the gain to the profit and loss account, its loss for the year would have been decreased by Rs.3.7 million.

- (b) Except for the matter discussed in paragraph (a) above, in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

- (c) Except for the matter discussed in paragraph (a) above, in our opinion

:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the changes stated in note 2.2 to the financial statements, with which we concur;

- (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the Objects, terms and conditions of the Modaraba;

- (d) Except for the matter discussed in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 2020 and of its loss, total comprehensive loss, cash flows and changes in equity for the year then ended;

- (e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Engagement Partner: Mehmood A. Razzak  
Karachi.

Dated: October 05, 2020

**BALANCE SHEET**  
**AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<i>Equity &amp; Liabilities</i>			
<i>Capital and reserves</i>			
<b>Authorized Certificate Capital</b>			
60,000,000 (2019: 60,000,000) modaraba			
certificates of Rs. 10 each		<b>600,000,000</b>	600,000,000
<hr/>			
<b>Certificate holders' equity</b>			
Certificate capital	6	<b>524,400,000</b>	524,400,000
Reserves	7	<b>117,485,202</b>	123,346,512
Remeasurement of defined benefit liability - Actuarial gain		<b>1,135,501</b>	446,440
Unrealised loss on remeasurment of investment		<b>(50,172,068)</b>	(53,883,253)
<hr/>			
<i>Total certificates holders' equity</i>		<b>592,848,635</b>	594,309,699
 <i>Non-current liabilities</i>			
Deferred liability	8	<b>4,551,260</b>	4,251,794
Security deposit		<b>200,000</b>	200,000
<hr/>			
<i>Total non-current liabilities</i>		<b>4,751,260</b>	4,451,794
 <i>Current liabilities</i>			
<hr/>			
Creditors, accrued and other liabilities	9	<b>9,530,468</b>	8,133,128
Unclaimed profit distribution		<b>29,560,348</b>	29,561,214
<hr/>			
<i>Total current liabilities</i>		<b>39,090,816</b>	37,694,342
<hr/>			
<i>Total equity and liabilities</i>		<b>636,690,711</b>	636,455,835
<hr/>			
 <i>Contingencies and commitments</i>	 10		



## BALANCE SHEET

### AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	11	6,436,337	7,653,790
-intangible	12	-	-
Investment property	13	1,351,667	1,471,667
Long term investments	14	382,187,831	392,999,771
Advances-considered good		2,510,000	2,510,000
Deposits		1,750,000	1,750,000
<i>Total Non-Current Assets</i>		<b>394,235,835</b>	406,385,228
<i>Current Assets</i>			
Morabaha/Musharaka receivables-secured	15	53,074,682	139,582,651
Short term investments	16	48,464,418	37,925,507
Advances	17	10,551,064	9,967,922
Trade deposits and prepayments	18	15,179,527	15,255,678
Other receivables	19	24,426,969	22,955,237
Bank balances	20	90,758,217	4,383,612
<i>Total Current Assets</i>		<b>242, 454,876</b>	230,070,607
<i>Total Assets</i>		<b>636,690,711</b>	636,455,835

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

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

Qaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

*Page 17*

	Note	2020 Rupees	2019 Rupees
Income	21	<b>16,457,325</b>	18,206,510
<b>Expenditure</b>			
Operating expenses	22	<b>(22,548,898)</b>	(23,103,654)
Financial charges	23	<b>(3,579)</b>	(13,724)
		<b>(22,552,477)</b>	(23,117,378)
Operating (loss)		<b>(6,095,152)</b>	(4,910,868)
Other income	24	<b>233,842</b>	1,607,096
(Loss) before taxation		<b>(5,861,310)</b>	(3,303,772)
Taxation	25	-	-
<i>(Loss) for the year</i>		<b>(5,861,310)</b>	(3,303,772)
(Loss) per certificate - Basic & Diluted	26	<b>(0.11)</b>	(0.06)

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

Qazi Obaid Ullah  
Chief Financial Officer

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

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

Qaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
(Loss) for the year	<b>(5,861,310)</b>	(3,303,772)
<b>Other comprehensive Income/(Loss)</b>		
<b>Items that may be reclassified to profit &amp; loss account</b>		
Unrealized gain/(loss) on remeasurement of investments	<b>488,409</b>	(18,794,338)
Gain realized on disposal of investments	<b>3,222,776</b>	1,933,120
	<b>3,711,185</b>	(16,861,218)
<b>Items that will not be reclassified to profit &amp; loss account subsequently</b>		
Remeasurement of defined benefit liability	<b>689,061</b>	549,804
<b>Other comprehensive Income / (loss)</b>	<b>4,400,246</b>	(16,311,414)
<b>Total comprehensive (loss) for the year</b>	<b>(1,461,064)</b>	(19,615,186)

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

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Nadeem Maqbool  
Director

Qaiser Ahmed Magoon  
Director

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>Cash generated from operating activities</b>			
(Loss) before taxation		(5,861,310)	(3,303,772)
<i>Adjustments for:</i>			
Depreciation	11 & 13	1,581,968	1,569,575
Provision for gratuity	8	1,017,777	755,919
Dividend income	21	(1,314,658)	(2,339,140)
		<b>1,285,087</b>	<b>(13,646)</b>
<b>Cash (used in) operations before working capital changes</b>		<b>(4,576,223)</b>	<b>(3,317,418)</b>
<b>Working Capital changes</b>			
<b>(Increase) / decrease in operating assets</b>			
Morabaha/Musharaka receivables-secured		86,507,969	(2,914,553)
Advances		109,527	2,782,649
Trade deposits and prepayments		76,151	134,091
Other receivables		(1,471,732)	(4,555,475)
<b>Increase / (Decrease) in operating liabilities</b>			
Creditors, accrued and other liabilities		1,397,340	(3,949,445)
		<b>86,619,254</b>	<b>(8,502,733)</b>
Staff Requirement benefit-gratuity paid		(29,250)	-
Dividend paid		(866)	(80,727)
Taxes paid/ adjusted		(692,669)	(1,019,699)
<i>Net cash generated from / (used in) operating activities</i>		<b>81,320,247</b>	<b>(12,920,577)</b>
<b>Cash flows from investing activities</b>			
Investments		3,984,214	6,102,659
Dividend received		1,314,658	2,339,140
Purchase of tangible assets		(244,515)	(2,763,635)
<i>Net cash generated from investing activities</i>		<b>5,054,357</b>	<b>5,678,164</b>
Net increase / (decrease) in cash and cash equivalents		<b>86,374,605</b>	<b>(7,242,413)</b>
Cash and cash equivalents at beginning of the year		<b>4,383,612</b>	<b>11,626,025</b>
<b>Cash and cash equivalents at the end of the year</b>	20	<b>90,758,217</b>	<b>4,383,612</b>

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

Qazi Obaid Ullah  
Chief Financial Officer

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

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

Kaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Reserves						Total
	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	
Balance as at July 01, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(192,619,716)	126,650,284	613,924,885
(Loss) for the year	-	-	-	-	(3,303,772)	(3,303,772)	(3,303,772)
Other Comprehensive (loss) for the year	-	-	-	-	-	-	(16,861,218)
Profit distribution	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance as at June 30, 2019	524,400,000	161,050,000	131,100,000	27,120,000	(195,923,488)	123,346,512	594,309,699
(Loss) for the year	-	-	-	-	(5,861,310)	(5,861,310)	(5,861,310)
Other Comprehensive Income for the year	-	-	-	-	-	-	3,711,185
Profit distribution	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-
<b>Balance as at June 30, 2020</b>	<b>524,400,000</b>	<b>161,050,000</b>	<b>131,100,000</b>	<b>27,120,000</b>	<b>(201,784,798)</b>	<b>117,485,202</b>	<b>592,848,635</b>

\* 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 40 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Nadeem Maqbool  
Director

Qaiser Ahmed Magoon  
Director

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 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 TREC holder of the Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Pakistan Stock Exchange Limited.

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

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

Disclosure of impact of COVID - 19 Pandemic on Financial Statements of Modaraba

The COVID – 19 pandemic has taken a toll on all economies around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators/ governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

COVID-19 may affect the lending institutions on a number of fronts including increase in overall credit risk pertaining to the financing portfolio, difficulties in timely recovery of dues owing to slowdown in the economic activity etc. and reduction in policy rates by SBP on its profitability.

The SBP has also responded to the crisis by cutting the policy rate by 625 basis points since beginning of the year. However, there are no material implications of COVID - 19. Modaraba has only faced the generalized impact by COVID - 19 on financial market of Pakistan as a whole.

### 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountant of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by SECP shall prevail.

### 2.2 New and amended standards and interpretations

#### Standards, amendments to approved accounting standards effective in current year

#### New and amended standards and interpretations mandatory for the first time for the financial year beginning July 1, 2019:

IFRS 16, 'Leases'. This standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

However, there is no material impact on the financial statements of Modaraba of adopting IFRS 16 - Leases.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations.

Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Modaraba

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Modaraba:

IAS 1 & 8 Definition of material	Effective date: January 1, 2020
IAS 1 Presentation of Financial Statements	Effective date: January 1, 2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Modaraba and therefore, have not been presented here.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 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:

	Note
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.1.1, 5.2, 5.4.1 & 5.12
c) Classification of investments	5.4
d) Income tax	5.6
e) Provision for staff gratuity	5.8

### 5 Significant accounting policies

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

#### 5.1 Fixed assets

##### 5.1.1 Tangible

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

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

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

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

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

The Modaraba assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the 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 no. 13. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

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

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

## FOR THE YEAR ENDED JUNE 30, 2020

**5.4 Financial Instruments**

Regular way purchase and sales of financial assets including investment are recognized on trade date i.e the date of which the company commit to purchase or sale.

**5.4.1 Financial assets***Initial Measurement*

The Modaraba classifies its financial assets into following three categories:

- measured at amortized cost.
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI);

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

*Subsequent measurement*

## Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

## Financial assets at FVTPL

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

## Financial assets measured at amortized cost

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

## Equity Investments at FVOCI

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

*Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

**5.4.2 Financial liabilities**

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

**5.4.3 Investment in subsidiary**

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

**5.5 Revenue recognition**

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

**5.6 Taxation****Current**

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

**Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry 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 it is no longer probable that the related tax benefit will be realised.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

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

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

### 5.7 Foreign currency translation

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

### 5.8 Retirement benefits

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

### 5.9 Offsetting of financial assets and financial liabilities

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

### 5.10 Provisions

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

### 5.11 Profit distribution to certificate 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:

- Musharaka facility
- Brokerage operation
- Capital market
- Others

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

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 6. Certificate capital

2019 No of Certificates	2020 No of Certificates		2020 Rupees	2019 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 (2019: 5,532,296).

### 7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2019	Total Reserves 2018
	Statutory Reserve *	Certificate premium account	Total Capital Reserve	Accumulated Loss	General Reserve	Total Revenue Reserves		
Opening balance	161,050,000	131,100,000	292,150,000	(195,923,488)	27,120,000	(168,803,488)	123,346,512	126,650,284
Transfer from Profit & Loss Account	-	-	-	(5,861,310)	-	(5,861,310)	(5,861,310)	(3,303,772)
Closing balance	161,050,000	131,100,000	292,150,000	(201,784,798)	27,120,000	(174,664,798)	117,485,202	123,346,512

\*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	2020 Rupees	2019 Rupees
<b>8. Deferred liability</b>			
Staff gratuity	8.2	4,551,260	4,251,794
		4,551,260	4,251,794

#### 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, 2020 on September 10, 2020 using the Projected Unit Method.

#### 8.2 Amount recognized in the balance sheet are as follows:

Present value of defined benefit obligation	4,551,260	4,251,794
Total defined benefit	4,551,260	4,251,794



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
8.3 <i>Movement in defined benefit obligation</i>			
Opening balance		4,251,794	4,045,679
<u>Charged for the define benefit plan</u>			
Current service cost		413,980	351,351
Net interest		603,797	404,568
Actuarial (gain) on obligation		(689,061)	(549,804)
		328,716	206,115
<b>Remeasurement of defined benefit liability</b>			
Benefit Paid		(29,250)	-
		4,551,260	4,251,794
Closing balance		<i>Rate per annum</i>	
8.4 <b>Actuarial assumptions</b>		8.50%	14.25%
Valuation discount rate		8.50%	14.25%
Salary increase rate -Short term (period of next one year)		8.50%	14.25%
Salary increase rate- long term			
9. <b>Creditors, accrued and other liabilities</b>			
Payable to clients		2,733,586	2,482,479
Accrued expenses		4,880,283	4,206,637
Charity payable	9.1	5,375	6,875
Other liabilities	9.2	1,911,224	1,437,137
		9,530,468	8,133,128
9.1 <i>Charity Payable - reconciliation</i>			
Opening balance		6,875	2,757
Addition		-	4,118
<u>Disbursements</u>		(1,500)	-
Closing balance		5,375	6,875

9.2 Other liabilities include Rs. 196,585 (2019 : Rs. 388,683) payable to Premier Financial Services (Private) Limited.

#### 10. Contingencies and commitments

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

Particulars	2020						Book Value as at June 30, 2020	Rate %
	Cost			Accumulated Depreciation				
	As at July 01, 2019	Addition / (Deletion)	As at June 30, 2020	As at July 01, 2019	Charged during the year / (Disposal)	As at June 30, 2020		
Office premises	10,380,294	-	10,380,294	5,840,872	519,016	6,359,888	4,020,406	5
Furniture & fixtures	105,059	-	105,059	105,057	-	105,057	2	20
Motor vehicles	4,412,635	-	4,034,135	1,485,912	806,828	1,914,240	2,119,895	20
		(378,500)			(378,500)			
Computers	624,733	95,015	656,248	566,508	58,835	561,843	94,405	33
		(63,500)			(63,500)			
Office equipments	853,245	149,500	1,002,745	723,827	77,289	801,116	201,629	20
<b>2020</b>	<b>16,375,966</b>	<b>244,515</b>	<b>16,178,481</b>	<b>8,722,176</b>	<b>1,461,968</b>	<b>9,742,144</b>	<b>6,436,337</b>	
		<b>(442,000)</b>			<b>(442,000)</b>			

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Particulars	2019							Book Value as at June 30, 2019	Rate %
	Cost			Accumulated Depreciation					
	As at July 01, 2018	Addition / (Deletion)	As at June 30, 2019	As at July 01, 2018	Charged during the year / (Disposal)	As at June 30, 2019			
Office premises	10,380,294	-	10,380,294	5,321,857	519,015	5,840,872	4,539,422	5	
Furniture & fixtures	105,059	-	105,059	105,057	-	105,057	2	20	
Motor vehicles	3,616,105	2,745,635	4,412,635	2,628,189	806,827	1,485,912	2,926,723	20	
		(1,949,105)			(1,949,104)				
Computers	624,733	-	624,733	508,248	58,260	566,508	58,225	33	
Office equipments	835,245	18,000	853,245	658,354	65,473	723,827	129,418	20	
<b>2019</b>	<b>15,561,436</b>	<b>2,763,635</b>	<b>16,375,966</b>	<b>9,221,705</b>	<b>1,449,575</b>	<b>8,722,176</b>	<b>7,653,790</b>		
		<b>(1,949,105)</b>			<b>(1,949,104)</b>				

	Note	2020 Rupees	2019 Rupees
<b>12. Intangible</b>			
Cost		10,000,000	10,000,000
Advance against TREC	12.1	(10,000,000)	(10,000,000)
Impairment loss		-	-

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

**13. Investment Property**

Particulars	2020							Book Value as at June 30, 2020	Rate %
	Cost			Accumulated Depreciation					
	As at July 01, 2019	Transfer	As at June 30, 2020	As at July 01, 2019	Charged during the year	As at June 30, 2020			
Office premises	2,400,000	-	2,400,000	928,333	120,000	1,048,333	1,351,667	5	

Particulars	2019							Book Value as at June 30, 2019	Rate %
	Cost			Accumulated Depreciation					
	As at July 01, 2018	Transfer	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019			
Office premises	2,400,000	-	2,400,000	808,333	120,000	928,333	1,471,667	5	

	Note	2020 Rupees	2019 Rupees
<b>14. Long term investments</b>			
<i>Investment in subsidiary</i>	14.1	<b>350,000,000</b>	350,000,000
		<b>350,000,000</b>	350,000,000
<i>Investment classified at cost</i>			
Listed securities	14.2.1	41,800	10,853,740
Unlisted securities	14.2.2	32,146,031	32,146,031
		<b>32,187,831</b>	42,999,771
		<b>382,187,831</b>	392,999,771



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

14.1	<i>Investment in subsidiary</i>	Note	2020 Rupees	2019 Rupees		
	2019 Number	2020 Number				
	500,000	<b>500,000</b>	Capital Financial Services (Pvt) Ltd	14.1.1	<b>50,000,000</b>	50,000,000
	500,000	<b>500,000</b>	Apex Financial Services (Pvt) Ltd	14.1.1	<b>50,000,000</b>	50,000,000
	25,000,000	<b>25,000,000</b>	Equity Textiles Limited	14.1.2	<b>250,000,000</b>	250,000,000
	<b>26,000,000</b>	<b>26,000,000</b>			<b>350,000,000</b>	350,000,000

14.1.1 The Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd are wholly owned subsidiaries of the Modaraba having ordinary shares of Rs. 100 each. Net assets value per share of Capital Financial Service (Pvt.) Ltd. and Apex Financial Services (Pvt.) Ltd. is Rs. 50.93(2019:Rs. 51.07) and Rs. 57.15 (2019: Rs.57.03) as per financial statements as at June 30, 2020 audited by Baker Tilly Mehmood Idrees Qamar, Chartered Accountants.

14.1.2 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 27.75 (2019: Rs. 29.35) as per financial statements as at June 30, 2020 audited by BDO Ebrahim & Company, Chartered Accountants.

#### 14.2 Equity investment classified at cost

##### 14.2.1 Listed securities

2019 No of Shares	2020 No of Shares	<i>Financial Services</i>	2020 Rupees	2019 Rupees	
22,000	<b>22,000</b>	<i>Javed Omer Vohra &amp; Company Limited</i>	14.2.1.1	<b>41,800</b>	41,800
1,081,194	-	<i>Pakistan Stock Exchange Limited</i>	14.2.2.2	-	10,811,940
<b>1,103,194</b>	<b>22,000</b>			<b>41,800</b>	10,853,740

##### 14.2.2 Unlisted securities

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

50,000	<b>50,000</b>	Sapphire Power Generation Limited	14.2.2.1	<b>1,800,000</b>	1,800,000
3,034,603	<b>3,034,603</b>	ISE Towers REIT Management Co Ltd	14.2.2.2	<b>30,346,030</b>	30,346,030
78,150	<b>78,150</b>	Callmate Telips Telecom Limited	14.2.2.3	<b>1</b>	1
<b>3,162,753</b>	<b>3,162,753</b>			<b>32,146,031</b>	32,146,031

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 48.55 (2018: Rs. 53.81) as per financial statements as at June 30, 2019 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

14.2.2.2 Net assets value per share of ISE Towers REIT Management Company Limited Rs.15.45 (2019: Rs. 14.49) as per financial statements as at June 30, 2020 audited by BDO Ebrahim & Company, Chartered Accountants.

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

#### 15. Morabaha/Musharaka receivables-secured

Musharaka - considered good	15.2	<b>53,074,682</b>	139,582,651
Morabaha - considered doubtful		<b>17,380,055</b>	17,380,055
		<b>70,454,737</b>	156,962,706
Provision for non performing assets		<b>(17,380,055)</b>	(17,380,055)
		<b>53,074,682</b>	139,582,651

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 ( 2019: 12 % to 16% per annum).

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

16. Short term investments	Note	2020 Rupees	2019 Rupees
<i>Investment classified at fair value through profit or loss</i>			
Listed securities	16.1	<b>48,464,418</b>	37,925,507

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

2019 No of Shares	2020 No of Shares		2020 Rupees	2019 Rupees
<i>Oil and Gas</i>				
20,000	-	Pakistan Refinery Limited	-	323,200
18,400	<b>18,400</b>	Sui Northern Gas Pipeline Limited	<b>1,004,640</b>	1,278,616
13,625	<b>13,625</b>	Attock Refinery Limited	<b>1,216,985</b>	1,052,804
<i>Food</i>				
6,200	<b>6,200</b>	Engro Foods Limited	<b>455,762</b>	361,646
<i>Chemicals</i>				
12,500	<b>12,500</b>	Ghani Global Glass Limited	<b>149,500</b>	73,750
33,296	<b>33,296</b>	Ghani Gases Limited	<b>523,746</b>	254,381
199	<b>199</b>	Engro Polymer - Unpaid right	<b>4,971</b>	5,365
<i>Construction and materials</i>				
10,600	-	AkzoNobel Pakistan Limited	-	1,060,530
5,000	<b>5,000</b>	Bestway Cement Limited	<b>543,650</b>	515,350
253,500	<b>253,500</b>	Dewan Cement Limited	<b>1,972,230</b>	1,979,835
78	<b>6,078</b>	D.G. Khan Cement Limited	<b>518,636</b>	4,410
5,000	<b>5,000</b>	Fly Cement Limited	<b>45,250</b>	67,800
2,000	<b>2,200</b>	Cherat Cement Company Limited	<b>191,774</b>	61,920
1,406,286	<b>1,406,286</b>	Power Cement Limited	<b>8,718,973</b>	9,042,419
<i>Pharma and biotech</i>				
10,005	<b>11,805</b>	The Searle Pakistan Limited	<b>2,351,910</b>	1,466,333
<i>Paper and Board</i>				
59,400	<b>59,400</b>	Roshan Packages Limited	<b>1,331,748</b>	793,584
<i>Engineering</i>				
14,500	<b>14,500</b>	International Steel Limited	<b>748,925</b>	575,795
<i>Textile Composite</i>				
238,000	<b>238,000</b>	International Knitwear Limited	<b>3,927,000</b>	3,024,980
<i>Miscellaneous</i>				
18,888	<b>21,721</b>	United Distributors Limited	<b>722,223</b>	565,507
<i>Sugar and Allied</i>				
1,000	-	Imperial Sugar Limited	-	11,970
<i>Fixed Line Telecommunication</i>				
709,500	<b>709,500</b>	Pakistan Telecommunication Company Limited	<b>6,300,360</b>	5,867,565
<i>Inv. Banks / Inv. Cos. / Securities Cos</i>				
521,759	<b>1,602,953</b>	Pakistan Stock Exchange Ltd.	<b>15,869,235</b>	6,782,867



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

2019 Number	2019 Number	Note	2020 Rupees	2019 Rupees
		<i>Cable &amp; Electrical Goods</i>		
70,000	<b>70,000</b>	TPL Tracker Limited	<b>361,900</b>	341,600
		<i>Power Generation, Distribution and Electricity</i>		
500,000	<b>500,000</b>	K-Electric Limited	<b>1,505,000</b>	2,195,000
6,000	-	Kot Adu Power Company Limited	-	218,280
<b>3,935,736</b>	<b>4,990,163</b>		<b>48,464,418</b>	37,925,507
<b>17. Advances - considered good</b>				
Employee		17.1	<b>90,956</b>	200,731
Advance tax			<b>10,456,069</b>	9,763,400
Others			<b>4,039</b>	3,791
			<b>10,551,064</b>	9,967,922
17.1 The maximum aggregate amount due from employees at the end of any month during the year was Rs. 299,731 (2019: Rs.243,886).				
<b>18. Trade deposits and prepayments</b>				
Deposits			<b>14,766,856</b>	14,767,856
Prepayments			<b>412,671</b>	487,822
			<b>15,179,527</b>	15,255,678
<b>19. Other Receivables</b>				
Receivable from clients		19.1&19.2	<b>20,539,480</b>	19,754,386
Others		19.2	<b>3,887,489</b>	3,200,851
			<b>24,426,969</b>	22,955,237
<i>Receivable from clients</i>				
19.1 Considered good			<b>20,539,480</b>	19,754,386
Considered doubtful			<b>12,500,000</b>	12,500,000
			<b>33,039,480</b>	32,254,386
Less: Provision for doubtful debts			<b>(12,500,000)</b>	(12,500,000)
			<b>20,539,480</b>	19,754,386
19.2 Receivable from clients and others include receivable from related parties amounting to Rs. 19,004 (2019: Rs.14769).				
<b>20. Bank balances</b>				
in current accounts			<b>1,345,841</b>	1,328,050
in saving accounts			<b>3,980</b>	3,980
in Islamic bank			<b>89,408,396</b>	3,051,582
			<b>90,758,217</b>	4,383,612
<b>21. Income</b>				
Profit on Musharaka			<b>12,992,030</b>	14,914,533
Brokerage commission			<b>504,670</b>	493,472
Capital (loss)			<b>(1,354,033)</b>	(2,253,543)
Dividend			<b>1,314,658</b>	2,339,140
Rental			<b>3,000,000</b>	2,700,000
Commission and fees			-	12,888
			<b>16,457,325</b>	18,206,510

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>22. Operating expenses</b>			
Salaries, allowances and benefits	22.2	6,450,662	7,448,375
Traveling, conveyance and entertainment		413,099	512,427
Telephone and postage		756,924	837,437
Electricity		344,782	480,775
Insurance		491,630	583,555
Printing, stationery and advertising		1,037,632	934,089
Fees and subscriptions		1,580,222	1,658,118
Vehicle running and maintenance		1,904,331	1,712,826
Depreciation	11 & 13	1,581,968	1,569,575
Facilities and utilities		4,216,865	4,317,228
Repair and maintenance		1,366,858	1,237,466
Annual review meeting		205,065	102,627
Auditor's remuneration	22.3	390,800	342,730
Legal and professional		624,430	483,141
Training and development		30,000	10,000
Shariah Advisor		200,000	200,000
PSX & SECP Charges		446,479	264,832
Withholding & CVT tax		243,840	18,278
Others		263,311	390,175
		<b>22,548,898</b>	<b>23,103,654</b>

**22.1 Remuneration of officers and other employees**

The aggregate amount charged in the financial statements for remuneration, including benefits to 7 (2019 : 8) employees of the modaraba is:

	2020		2019	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	2,304,000	1,831,260	2,688,000	2,054,000
Leave fare & Encashment	46,800	183,400	524,800	113,476
Expenses reimbursed: Medical	207,948	240,352	131,983	285,793
	<b>2,558,748</b>	<b>2,255,012</b>	<b>3,344,783</b>	<b>2,453,269</b>

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 1,017,777 (2019: Rs.755,919). Officers are also provided with free use of the Modaraba maintained cars.

**22.3 Auditor's remuneration**

Audit fee	250,000	250,000
Half yearly review	26,500	26,500
Other fees	114,300	66,230
	<b>390,800</b>	<b>342,730</b>

**23 Financial Charges**

Bank Charges	3,579	13,724
	<b>3,579</b>	<b>13,724</b>

**24 Other income**

Profit on Investment accounts with Islamic bank	233,842	71,437
Others	-	1,535,659
	<b>233,842</b>	<b>1,607,096</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 25. Taxation

##### *Current*

The return of the Modaraba was filed upto 2019 which is deemed assessment subject to audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance). The assessment of the Modaraba for the tax year 2018 is in process under section 177 of the Ordinance which is not yet finalized.

	2020 Rupees	2019 Rupees
<b>26. (Loss) per certificates - basic and diluted</b>		
(Loss) for the year	<b>(5,861,310)</b>	(3,303,772)
Weighted average number of certificates outstanding during the year	<b>52,440,000</b>	52,440,000
(Loss) per certificate - basic and diluted	<b>(0.11)</b>	(0.06)

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

#### 27. Risk management policies and objectives

##### *Financial risk management*

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

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

##### *Credit and concentration risk*

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

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

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

Investment	430,652,249	430,925,278
Morabaha/Musharaka receivables-secured	53,074,682	139,582,651
Advances-considered good	13,061,064	12,477,922
Trade deposits and prepayments	16,929,527	17,005,678
Other receivables	24,426,969	22,955,237
	<b>538,144,490</b>	622,946,766

##### *Liquidity risk*

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

Assets	2020			Total
	Less than One year	Over one year but less than		
		five years	Over five years	
Long term investments	-	32,187,831	350,000,000	382,187,831
Morabaha & Musharaka receivables	53,074,682	-	-	53,074,682
Short term investments	48,464,418	-	-	48,464,418
Advances	10,551,064	2,510,000	-	13,061,064
Trade deposits	14,766,856	1,750,000	-	16,516,856
Other receivables	24,426,969	-	-	24,426,969
Bank balances	90,758,217	-	-	90,758,217
	242,042,205	36,447,831	350,000,000	628,490,036
<b>Liabilities</b>				
Deferred liability	-	-	4,551,260	4,551,260
Security Deposit	200,000	-	-	200,000
Creditors, accrued and other liabilities	9,530,468	-	-	9,530,468
Unclaimed profit distribution	29,560,348	-	-	29,560,348
	39,290,816	-	4,551,260	43,842,076
Net balance	202,751,389	36,447,831	345,448,740	584,647,960
Assets	2019			Total
	Less than One year	Over one year but less than		
		five years	Over five years	
Long term investments	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	139,582,651	-	-	139,582,651
Short term investments	37,925,507	-	-	37,925,507
Advances	9,967,922	2,510,000	-	12,477,922
Trade deposits	14,767,856	1,750,000	-	16,517,856
Other receivables	22,955,237	-	-	22,955,237
Bank balances	4,383,612	-	-	4,383,612
	229,582,785	47,259,771	350,000,000	626,842,556
<b>Liabilities</b>				
Deferred liability	-	-	4,251,794	4,251,794
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	8,133,128	-	-	8,133,128
Unclaimed profit distribution	29,561,214	-	-	29,561,214
	37,694,342	200,000	4,251,794	42,146,136
Net balance	191,888,443	47,059,771	345,748,206	584,696,420

### Market risk

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

### Operational Risk

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

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

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures;



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

- 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.

	2020 Rupees	2019 Rupees
28.1 <i>Financial instruments by category</i>		
<b>Financial assets</b>		
<b>At amortized cost</b>		
Morabaha/Musharaka receivables	53,074,682	139,582,651
Advances	13,061,064	12,477,922
Trade deposits	16,516,856	16,517,856
Other receivables	24,426,969	22,955,237
Bank balances	90,758,217	4,383,612
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	48,646,418	37,925,507
<i>Financial assets at cost</i>		
Long term investments	32,187,831	42,999,771
	278,490,036	276,842,556
<i>Financial assets at cost</i>		
Long term investments in subsidiary	350,000,000	350,000,000
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Deferred liability	4,551,260	4,251,794
Security deposit	200,000	200,000
Creditors, accrued and other liabilities	9,530,468	8,133,128
Unclaimed profit distribution	29,560,348	29,561,214
	43,842,076	42,146,136
On balance sheet gap	584,647,960	584,696,420

FOR THE YEAR ENDED JUNE 30, 2020

29. **Maturities of assets and liabilities**

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

	2020				Total
	Upto one month	Over one month to one year	Over one year to five year	Over five Years	
<b>Assets</b>					
Long term investments	-	-	32,187,831	350,000,000	382,187,831
Morabaha & Musharaka receivables	-	53,074,682	-	-	53,074,682
Short term investments	-	48,464,418	-	-	48,464,418
Advances	-	94,995	2,510,000	-	2,604,995
Trade deposits	-	14,766,856	1,750,000	-	16,516,856
Other receivables	-	24,426,969	-	-	24,426,969
Bank balances	-	90,758,217	-	-	90,758,217
		231,586,136	36,447,831	350,000,000	618,033,967
<b>Liabilities</b>					
Deferred liabilities	-	-	-	4,551,260	4,551,260
Security Deposit	200,000	-	-	-	200,000
Creditors, accrued and other liabilities	-	9,530,468	-	-	9,530,468
Unclaimed profit distribution	-	29,560,348	-	-	29,560,348
	200,000	39,090,816	-	4,551,260	43,842,076
<b>Net balance</b>	(200,000)	192,495,320	36,447,831	345,448,740	574,191,891

	2019				Total
	Upto one month	Over one month to one year	Over one year to five year	Over five Years	
<b>Assets</b>					
Long term investments	-	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	-	139,582,651	-	-	139,582,651
Short term investments	-	37,925,507	-	-	37,925,507
Advances	-	204,522	2,510,000	-	2,714,522
Trade deposits and prepayments	-	14,280,034	1,750,000	-	16,030,034
Other receivables	-	22,955,237	-	-	22,955,237
Bank balances	-	4,383,612	-	-	4,383,612
	-	219,331,563	47,259,771	350,000,000	616,591,334
<b>Liabilities</b>					
Deferred liabilities	-	-	-	4,251,794	4,251,794
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	-	8,133,128	-	-	8,133,128
Unclaimed profit distribution	-	29,561,214	-	-	29,561,214
	-	37,694,342	200,000	4,251,794	42,146,136
<b>Net balance</b>	-	181,637,221	47,059,771	345,748,206	574,445,198



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 30. Yield/Profit rate risk exposure

Description	Effective yield / profit risk	2020						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	-	-	-	-	-	382,187,831	382,187,831	382,187,831
Morabaha / Musharakah receivables	12% to 16%	53,074,682	-	53,074,682	-	-	-	53,074,682
Short term investments	-	48,464,418	-	48,464,418	-	-	-	48,464,418
Advances	-	-	-	-	94,995	2,510,000	2,604,995	2,604,995
Trade deposits	-	-	-	-	14,766,856	1,750,000	16,516,856	16,516,856
Other receivables	-	-	-	-	24,426,969	-	24,426,969	24,426,969
Bank balances	3.5% to 7%	89,412,376	-	89,412,376	1,345,841	-	1,345,841	90,758,217
		190,951,476	-	190,951,476	40,634,660	386,447,831	427,082,491	618,033,967
Financial Liabilities								
Deferred Liabilities	-	-	-	-	-	4,551,260	4,551,260	4,551,260
Security Deposit	-	-	-	-	200,000	-	200,000	200,000
Creditors, accrued and other liabilities	-	-	-	-	9,530,468	-	9,530,468	9,530,468
Unclaimed profit distribution	-	-	-	-	29,560,348	-	29,560,348	29,560,348
		-	-	-	39,290,816	4,551,260	43,842,076	43,842,076
On Balance Sheet Gap		190,951,476	-	190,951,476	1,343,844	381,896,571	383,240,415	574,191,891

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	2019						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	-	-	-	-	-	392,999,771	392,999,771	392,999,771
Morabaha / Musharakah receivables	12% to 16%	139,582,651	-	139,582,651	-	-	-	139,582,651
Short term investments	-	-	-	-	37,925,507	-	37,925,507	37,925,507
Advances	-	-	-	-	204,522	2,510,000	2,714,522	2,714,522
Trade deposits	-	-	-	-	14,280,034	1,750,000	16,030,034	16,030,034
Other receivables	-	-	-	-	22,955,237	-	22,955,237	22,955,237
Bank balances	2% to 5%	3,055,562	-	3,055,562	1,328,050	-	1,328,050	4,383,612
		142,638,213	-	142,638,213	76,693,350	397,259,771	473,953,121	616,591,334
Financial Liabilities								
Deferred Liabilities	-	-	-	-	-	4,251,794	4,251,794	4,251,794
Security Deposit	-	-	-	-	-	200,000	200,000	200,000
Creditors, accrued and other liabilities	-	-	-	-	8,133,128	-	8,133,128	8,133,128
Unclaimed profit distribution	-	-	-	-	29,561,214	-	29,561,214	29,561,214
		-	-	-	37,694,342	4,451,794	42,146,136	42,146,136
On Balance Sheet Gap		142,638,213	-	142,638,213	38,999,008	392,807,977	431,806,985	574,445,198

FOR THE YEAR ENDED JUNE 30, 2020

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.

	2020					2019
	Musharakah Facility	Brokerage Operation	Capital Markets	Others	Total	Total
Rupees						
Segment Revenues	12,992,030	504,670	(39,376)	3,233,842	16,691,166	19,813,606
Segment Result	12,992,030	(2,998,994)	(39,376)	3,233,842	13,187,502	15,775,324
Unallocated Cost						
Operating expenses					(19,048,812)	(19,079,096)
(Loss) before taxation					(5,861,310)	(3,303,772)
Taxation					-	-
(Loss) for the year					(5,861,310)	(3,303,772)
Other information						
Segment assets	53,074,682	22,439,480	80,652,248	1,351,667	157,518,077	243,633,981
Unallocated assets	-	-	-	-	479,172,634	392,821,854
Total assets					636,690,711	636,455,835
Segment liabilities	-	2,733,586	-	-	2,733,586	2,482,479
Unallocated liabilities	-	-	-	-	41,108,490	39,663,657
Total liabilities	-				43,842,076	42,146,136

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:

	2020 Rupees	2019 Rupees
32.1 <i>Balance outstanding at year end</i>		
<u>Modaraba Management Company</u>		
- Current account payable	196,585	388,683
<u>Subsidiary company</u>		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
- Investment in Capital Financial Services (Private) Limited	50,000,000	50,000,000
- Investment in Apex Financial Services (Private) Limited	50,000,000	50,000,000
<u>(Payable to)/Receivable from wholly owned subsidiary company</u>	690,039	1,048,454
Receivable from related party	349,099	349,099
<u>Other related parties (including key management personnel)</u>		
- Deferred liability staff gratuity	4,551,260	4,251,794
- Brokerage house client receivable	19,004	14,769



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
32.2 <i>Transactions during the year</i>		
<u>Modaraba Management Company</u>		
- Reimbursement	4,216,865	4,317,228
<u>Other related parties (including key management personnel)</u>		
- Contribution to staff gratuity fund	1,017,777	755,919
<i>Relationship</i>		
Services acquired	Key Management Personnel / Associated company 539,729	370,547
Brokerage commission earned	Associated company 205,309	16,170

#### Number of employees

33. Total number of employees of the Modaraba as at June 30, 2020 are 7 (2019: 8).  
Average number of employees of the Modaraba are 7 (2019:8)

#### 34 NET CAPITAL BALANCE

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows:

DESCRIPTION	VALUATION	Note	2020 RUPEES
<b>CURRENT ASSETS</b>			
Cash and bank balances	As per book value	34.1	90,758,217
Trade receivables	Book value less overdue for more than 14 days		4,251
Investment in listed securities in the name of brokerage house	Securities marked to market less 15% discount		27,705,906
Securities purchased for client			6,692,673
PIBS	Marked to market less 5% discount		-
<b>CURRENT LIABILITIES</b>			<b>125,161,047</b>
Trade payables	Book value less		1,006,684
Other payables	As per book values		38,084,131
			<u>39,090,815</u>
34.1 <b>Net capital balance as at June 30, 2020</b>			<u><b>86,070,232</b></u>
<b>Cash and bank balances</b>			
Bank balance pertaining to brokerage house			87,486,646
Bank balance pertaining to clients			3,271,571
			<u><b>90,758,217</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 35. COMPUTATION OF LIQUID CAPITAL

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	7,788,004	7,788,004	-
1.2	Intangible Assets	-	-	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
	<b>Investment in Debt. Securities</b>			
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	<b>Investment in Equity Securities</b>			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	48,464,418	23,040,159	25,424,259
	ii. If unlisted, 100% of carrying value.	32,146,031	32,146,031	-
1.5	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.6	Investment in subsidiaries	350,000,000	350,000,000	-
	<b>Investment in associated companies/undertaking</b>			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	1,775,000	1,775,000	-
1.9	Margin deposits with exchange and clearing house.	150,000	-	150,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	15,004,527	15,004,527	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	-	-
1.13	Dividends receivables.	-	-	-
	Amounts receivable against Repo financing.			
1.14	Amount paid as purchaser under the REPO agreement. ( <i>Securities purchased under repo arrangement shall not be included in the investments.</i> )	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	90,956	-	90,956
	ii. Receivables other than trade receivables	3,893,564	3,893,564	-
	<b>Receivables from clearing house or securities exchange(s)</b>			
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	-	-	-
	<b>i. Lower of net balance sheet value or value determined through adjustments.</b>			
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	<b>ii. Net amount after deducting haircut</b>			
1.17	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	<b>iii. Net amount after deducting haricut</b>			
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	4,251	-	4,251
	<b>iv. Balance sheet value</b>			
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	20,535,229	4,864,182	4,864,182
	<b>v. Lower of net balance sheet value or value determined through adjustments</b>			
	<b>vi. 100% haircut in the case of amount receivable form related parties.</b>			
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	87,486,646	-	87,486,646
	ii. Bank balance-customer accounts	3,271,571	-	3,271,571
	iii. Cash in hand	-	-	-
1.19	<b>Total Assets</b>	<b>570,610,196</b>	<b>438,511,467</b>	<b>121,291,866</b>
	<b>2. Liabilities</b>			
	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	2,733,586	-	2,733,586
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	36,557,230	-	36,557,230
2.2	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	<b>Non-Current Liabilities</b>			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	4,551,260	-	4,551,260
2.3	<b>iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:</b>			
	a. The existing authorized share capital allows the proposed enhanced share capital	-	-	-
	b. Boad of Directors of the company has approved the increase in capital	-	-	-
	c. Relevant Regulatory approvals have been obtained	-	-	-
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.	-	-	-
	e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Subordinated Loans</b>			
2.4	<p>i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:</p> <p>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period</p> <p>b. No haircut will be allowed against short term portion which is repayable within next 12 months.</p> <p>c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.</p> <p>ii. Subordinated loans which do not fulfill the conditions specified by SECP</p>	-	-	-
2.5	<b>Total Liabilities</b>	43,842,076	-	43,842,076
<b>3. Ranking Liabilities Relating to :</b>				
3.1	<b>Concentration in Margin Financing</b> The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	<b>Concentration in securities lending and borrowing</b> The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	<b>Net underwriting Commitments</b> <b>(a) in the case of right issue :</b> if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting <b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-
3.4	<b>Negative equity of subsidiary</b> The amount by which the total assets of the subsidiary ( excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	<b>Foreign exchange agreements and foreign currency positions</b> 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	<b>Repo adjustment</b> <b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	<b>Concentrated proprietary positions</b> If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Opening Positions in futures and options</b>			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	<b>Short sell positions</b>			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
<b>3.11</b>	<b>Total Ranking Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

526,768,121 Liquid Capital 77,449,790

#### Calculations Summary of Liquid Capital

(i) Adjusted value of Assets (serial number 1.19)	121,291,866
(ii) Less: Adjusted value of liabilities (serial number 2.5)	(43,842,076)
(iii) Less: Total ranking liabilities (series number 3.11)	-
	<u>77,449,790</u>

**Note:** Commission may issue guidelines and clarifications in respect of the treatment of any component of Liquid Capital including any modification, deletion and inclusion in the calculation of Adjusted value of assets and liabilities to address any practical difficulty.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
		Rupees	Rupees
36	<b>CAPITAL ADEQUACY LEVEL</b>		
	Total assets	631,690,711	631,455,835
	Less: Total liabilities	(43,842,076)	(42,146,136)
	Revaluation reserves (created upon revaluation of fixed assets)	-	-
	<b>Capital adequacy level</b>	<b>587,848,635</b>	<b>589,309,699</b>

37 **Corresponding Figures**  
Figures have been rounded off to the nearest rupee.

38 **Authorization for issue**  
These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 05, 2020. The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2019: Re. nil per certificate) for the year ended June 30, 2020, resulting in a total distribution of profit amounting to Rs. nil (2019: Rs. nil), in its meeting held on October 05, 2020.

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

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

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



*Auditors Report and  
Consolidated Financial Statements  
of  
First Equity Modaraba  
Capital Financial Services (Pvt) Ltd  
Apex Financial Services (Pvt) Ltd  
Equity Textiles Limited  
for the year ended June 30, 2020*

# AUDITORS' REPORT

## TO THE CERTIFICATE HOLDERS

### **Qualified Opinion**

We have audited the annexed consolidated financial statements of FIRSTEQUITYMODARABA and its subsidiaries(the Group), which comprise the consolidated balance sheet as at June 30, 2020, and the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in paragraphs below, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### **Basis for Qualified Opinion**

Modaraba and, its two subsidiaries named Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited have charged gain of Rs. 6.71million, 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 IFRS9.

Had the Modaraba and two above mentioned subsidiaries charged the gain to the profit and loss account, its loss for the year would have been decrease d by Rs.6.71 million (2019: increasedby Rs.25.63 million).

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

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

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

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

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

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

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

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

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

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



# AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants

Karachi

Date: October 05, 2020

**Qazi Obaid Ullah**  
Chief Financial Officer

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

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

**Qaiser Ahmed Magoon**  
Director  
Premier Financial  
Services (Private) Limited

# CONSOLIDATED BALANCE SHEET

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## AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<i>Equity &amp; Liabilities</i>			
<i>Capital and reserves</i>			
<b>Authorized Certificate Capital</b>			
60,000,000 (2019: 60,000,000) modaraba certificates of Rs. 10 each		<b>600,000,000</b>	600,000,000
<b>Certificate holders' equity</b>			
Certificate capital	6	<b>524,400,000</b>	524,400,000
Reserves	7	<b>179,179,553</b>	185,761,593
Remeasurement of defined benefit liability - Actuarial gain		<b>1,135,501</b>	446,440
Unrealised loss on remeasurment of investments		<b>(80,843,517)</b>	(85,932,374)
<i>Total certificates holders' equity</i>		<b>623,871,537</b>	624,675,659
<b>Surplus on revaluation of fixed assets</b>	8	<b>364,295,561</b>	404,772,845
<i>Non-current liabilities</i>			
Long term financing	9	<b>37,648,555</b>	35,317,681
Liabilities against assets subject to finance lease	10	<b>34,206,452</b>	890,432
Deferred liabilities	11	<b>110,837,948</b>	150,753,291
Security deposit		<b>200,000</b>	200,000
<i>Total non-current liabilities</i>		<b>182,892,955</b>	187,161,404
<i>Current liabilities</i>			
Short term borrowings	12	<b>129,307,874</b>	231,604,616
Current portion of long term liabilities	13	<b>8,419,173</b>	143,768,681
Creditors, accrued and other liabilities	14	<b>720,322,663</b>	725,262,047
Accrued mark up	15	<b>7,145,156</b>	34,691,151
Taxation - net	31	<b>15,953,555</b>	4,741,619
Unclaimed profit distribution		<b>29,560,348</b>	29,561,214
<i>Total current liabilities</i>		<b>910,708,769</b>	1,169,629,328
<i>Total equity and liabilities</i>		<b>2,081,768,822</b>	2,386,239,236
<i>Contingencies and commitments</i>	16		



# CONSOLIDATED BALANCE SHEET

## AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	17	1,129,311,419	1,200,096,927
-intangible	18	14,251,436	10,000,000
Capital Work in Progress	19	4,877,875	5,393,156
Investment property	20	1,351,667	1,471,667
Long term investments	21	32,187,831	42,999,771
Advances		2,510,000	2,510,000
Deposits		5,784,700	2,130,800
<i>Total Non-Current Assets</i>		<b>1,190,274,928</b>	1,264,602,321
<i>Current Assets</i>			
Store and spares	22	52,292,527	50,484,405
Stock-in-trade	23	307,653,108	397,258,108
Trade debts	24	107,498,016	211,690,534
Morabaha/Musharaka receivables-secured	25	53,074,682	139,582,651
Short term investments	26	85,964,713	76,403,158
Advances	27	16,042,984	35,808,165
Trade deposits and prepayments	28	78,587,261	74,857,664
Other receivables	29	29,985,520	29,630,740
Tax refunds due from government authorities	30	59,445,887	95,068,565
Cash and bank balances	32	100,949,196	10,852,925
<i>Total Current Assets</i>		<b>891,493,894</b>	1,121,636,915
<i>Total Assets</i>		<b>2,081,768,822</b>	2,386,239,236

The annexed notes 1 to 51 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

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

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

Qaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Income	33	<b>83,656,368</b>	132,413,520
Expenditure			
Operating expenses	34	<b>(60,921,095)</b>	(54,660,874)
Distribution and selling expenses	35	<b>(15,923,182)</b>	(18,024,264)
		<b>(76,844,277)</b>	(72,685,138)
Operating profit		<b>6,812,091</b>	59,728,382
Financial Charges	36	<b>(49,245,484)</b>	(64,789,198)
		<b>(42,433,393)</b>	(5,060,816)
Other Income	37	<b>3,255,134</b>	2,662,537
		<b>(39,178,259)</b>	(2,398,279)
Other charges	38	<b>(345,600)</b>	(531,937)
(Loss) before taxation		<b>(39,523,859)</b>	(2,930,216)
Taxation			
- current		<b>(47,750,273)</b>	(39,601,266)
- prior		-	(32,713)
- deferred		<b>40,214,808</b>	38,646,961
		<b>(7,535,465)</b>	(987,018)
(Loss) for the year		<b>(47,059,324)</b>	(3,917,234)
(Loss) per certificate - basic and diluted	40	<b>(0.90)</b>	(0.07)

The annexed notes 1 to 51 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
(Loss) for the year	(47,059,324)	(3,917,234)
<b>Other comprehensive Income / (loss)</b>		
<b>Items that may be reclassified to profit &amp; loss account on disposal</b>		
Unrealized gain /(loss) on remeasurement of investments	1,866,081	(30,346,388)
Gain realized on disposal of investments	3,222,776	1,933,120
	5,088,857	(28,413,268)
<b>Items that may not be reclassified to profit &amp; loss account</b>		
Remeasurement of defined benefit liability	689,061	549,804
<b>Total comprehensive Income / (loss) for the year</b>	<b>5,777,918</b>	<b>(27,863,464)</b>
<b>Total comprehensive (loss) for the year</b>	<b>(41,281,406)</b>	<b>(31,780,698)</b>

The annexed notes 1 to 51 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
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Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
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Services (Private) Limited

Qaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited

# CONSOLIDATED CASH FLOW STATEMENT

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## FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
<b>Cash flows from operating activities</b>		
(Loss) before taxation	(39,523,859)	(2,930,216)
<i>Adjustments for:</i>		
Depreciation	121,133,340	128,700,266
Amortization on intangible asset	223,760	-
Exchange Loss on import	345,600	-
Provision for gratuity	1,017,777	755,919
Dividend income	(1,709,977)	(3,129,816)
(Gain) on sale of asset	(1,322,860)	(508,879)
Bad debts	-	570,263
Financial charges	49,245,484	64,789,198
	<b>168,933,124</b>	<b>191,176,951</b>
<b>Cash generated from operations before working capital changes</b>	<b>129,409,265</b>	<b>188,246,735</b>
<b>Working Capital changes</b>		
<b>Decrease/(increase) in operating assets</b>		
Store, Spares and Loose tools	(1,808,122)	(19,594,995)
Stock-in-trade	89,605,000	(57,770,094)
Trade debts	104,192,518	(98,385,402)
Morabaha/Musharaka receivables-secured	86,507,969	(2,914,553)
Advances	19,765,181	7,941,689
Trade deposits and prepayments	(3,729,597)	(3,668,164)
Other receivables	(354,781)	(6,587,379)
Tax refund from government authorities	31,565,881	(19,229,760)
<b>Increase/(decrease) in operating liabilities</b>		
Short term borrowing	(102,296,742)	36,024,223
Creditors, accrued and other liabilities	(4,939,384)	258,021,121
	<b>218,507,923</b>	<b>93,836,686</b>
Staff retirement benefit-gratuity paid	(29,250)	-
Financial charges paid	(76,791,479)	(65,942,966)
Dividend paid	(866)	(80,727)
Taxes paid	(33,026,534)	(35,871,497)
<i>Net cash generated from operating activities</i>	<b>238,069,060</b>	<b>180,188,231</b>
<b>Cash flows from investing activities</b>		
Investments	6,339,241	7,559,158
Long term deposits	(3,653,900)	(134,900)
Proceeds from sale of tangible assets	1,502,493	875,000
Dividend received	1,709,977	3,129,816
Capital work in progress	(4,877,875)	(5,393,156)
Purchases of tangible assets	(51,671,286)	(50,836,925)
<i>Net cash (used in) investing activities</i>	<b>(50,651,350)</b>	<b>(44,801,007)</b>



## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
<b>Cash flows from financing activities</b>		
Additions in liabilities against asset subject to finance lease	<b>38,998,000</b>	1,499,000
Repayments / adjustment of lease liability	-	(1,367,046)
Long term financing	<b>(136,319,440)</b>	(141,185,976)
<i>Net cash used in financing activities</i>	<b>(97,321,440)</b>	(141,054,022)
Net (decrease) / increase in cash and cash equivalents	<b>90,096,271</b>	(5,666,798)
Cash and cash equivalents at beginning of the year	<b>10,852,925</b>	16,519,723
<b>Cash and cash equivalents at the end of the year</b>	<b>100,949,196</b>	10,852,925

The annexed notes 1 to 51 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

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

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

Qaiser Ahmed Magoon  
Director  
Premier Financial  
Services (Private) Limited

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2020

	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	Remeasur- ment of defined benefit liability	Surplus on revaluation of property, plant and equipment	Unrealized loss on remeasur- ment of available for sale investments	Total
Balance as at June 30, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(174,565,933)	144,704,067	(103,364)	449,747,605	(57,519,106)	1,061,229,2002
(Loss) for the year	-	-	-	-	(3,917,234)	(3,917,234)	-	-	-	(3,917,234)
Other Comprehensive income / (loss) for the year	-	-	-	-	-	-	549,804	-	(28,413,268)	(27,863,464)
Incremental depreciation on reval- uation surplus net off deferred tax	-	-	-	-	44,974,760	44,974,760	-	(44,974,760)	-	-
Balance as at June 30, 2019	524,400,000	161,050,000	131,100,000	27,120,000	(133,508,407)	185,761,593	446,440	404,772,845	(85,932,374)	1,029,448,504
(Loss) for the year	-	-	-	-	(47,059,324)	(47,059,324)	-	-	-	(47,059,324)
Other Comprehensive income for the year	-	-	-	-	-	-	689,061	-	5,088,857	5,777,918
Incremental depreciation on reval- uation surplus net off deferred tax	-	-	-	-	40,477,284	40,477,284	-	(40,477,284)	-	-
Balance as at June 30, 2020	524,400,000	161,050,000	131,100,000	27,120,000	(140,090,447)	179,179,553	1,135,501	364,295,561	(80,843,517)	988,167,098

\* 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 51 form an integral part of these financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 1 Legal status and nature of business

#### The group

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

#### 1.1 First Equity Modaraba

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

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

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

#### 1.2 Equity Textiles Limited

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

#### 1.3 Capital Financial Services (Private) Limited

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

#### 1.4 Apex Financial Services (Private) Limited

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

#### 1.5 Consolidation procedures

##### Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights or the parent - subsidiary relationship meet the definition as given in section 3 of the Companies Act, 2017. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date that control ceases.

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.

## FOR THE YEAR ENDED JUNE 30, 2020

### 1.6 Basis of consolidation

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

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

### 1.7 Disclosure of impact of COVID - 19 Pandemic on Financial Statements of the Group

The COVID – 19 pandemic has taken a toll on all economies around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators/ governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

COVID-19 may affect the lending institutions on a number of fronts including increase in overall credit risk pertaining to the financing portfolio, difficulties in timely recovery of dues owing to slowdown in the economic activity etc. and reduction in policy rates by SBP on its profitability.

The SBP has also responded to the crisis by cutting the policy rate by 625 basis points since beginning of the year. The management of the Group is closely monitoring the situation, and in response to the developments, taking all possible precautions and measures to safeguard health and safety of employees and other stakeholders. The management has evaluated and concluded that there is no material implication of COVID - 19.

## 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountant of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by SECP shall prevail.

### 2.2 New and amended standards and interpretations

#### **Standards, amendments to approved accounting standards effective in current year**

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 1, 2019:

IFRS 16, 'Leases' this standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

However, there is no material impact on the financial statements of the Group of adopting IFRS 16 - Leases.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

#### **Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Group**

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Group:

IAS 1 Presentation of Financial Statements

Effective date: January 1, 2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.



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**FOR THE YEAR ENDED JUNE 30, 2020**

**3 Basis of measurement**

**Parent**

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

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

**4 Use of estimates**

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

	Note
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.19
c) Classification of investments	5.3
d) Income tax	5.11
e) Provision for staff gratuity	5.13

**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/year during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month/year 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 profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful lives.

**5.1.2 Capital work-in-progress**

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

**FOR THE YEAR ENDED JUNE 30, 2020**

**5.1.3 Finance lease**

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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

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

**5.1.4 Operating lease**

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

**5.1.5 Intangible**

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

**5.2 Investment property**

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

Depreciation on office premises is charged to profit and loss account on the straight line method so as to write off the depreciable amount of office premises over its estimated useful life at the rate defined in note 20. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The 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 recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

**5.3 Financial instruments**

Regular way purchase and sales of financial assets including investment are recognized on trade date i.e. the date on which the company commit to purchase or sale.

**5.3.1 Financial assets**

***Initial Measurement***

The Modaraba classifies its financial assets into following three categories:

- measured at amortized cost.
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI);

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

***Subsequent measurement***

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, and impairment are recognized in the statement of profit or loss account. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.

Financial assets at FVTPL

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



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**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

*Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

**5.3.2 Financial liabilities**

Financial liabilities are initially recognized on trade date i.e. date on which the Group becomes party to the respective contractual provisions. The Group derecognizes the financial liabilities when contractual obligations are discharged or cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest rate method.

**5.4 Stores, spares and loose tools**

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

**5.5 Stock-in-trade**

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

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

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

**5.6 Trade debts**

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

**5.7 Other receivables**

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

**5.8 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.

## FOR THE YEAR ENDED JUNE 30, 2020

### 5.9 Revenue recognition

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

### 5.10 Borrowing cost

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

### 5.11 Taxation

#### Parent company

##### Current

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

##### Deferred

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

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

#### Subsidiary companies

##### Current

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

##### Deferred

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

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

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

### 5.12 Foreign currency translation

#### Parent Company

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



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**FOR THE YEAR ENDED JUNE 30, 2020**

**Subsidiary companies**

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

**5.13 Retirement benefits**

**Defined benefit plan**

The Modaraba operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 11 of these financial statements. Actuarial gains / losses are recognized over the average lives of the employees.

**Defined contribution plan**

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

**Employee compensated absences**

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

**5.14 Offsetting of financial assets and financial liabilities**

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

**5.15 Derivative financial instruments**

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

**5.16 Provisions**

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

**5.17 Profit distribution to certificate holders**

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

**5.18 Impairment**

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

**5.19 Segment reporting**

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

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

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

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

**FOR THE YEAR ENDED JUNE 30, 2020**

**5.20 Related party transactions**

**Parent**

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

**Subsidiary companies**

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

**5.21 Cash and Cash Equivalents**

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

**5.22 Functional and reporting currency**

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

**5.23 Capital Risk Management**

The Group'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 certificateholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

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

**5.24 Subsidiary accounting judgment and critical estimates / assumptions**

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

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

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

**Income taxes**

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

**Property, plant and equipment**

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

**Stores and spares**

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



**FOR THE YEAR ENDED JUNE 30, 2020**

**6. Certificate capital**

2019 No of Certificates	2020 No of Certificates		2020 Rupees	2019 Rupees
46,220,000	<b>46,220,000</b>	Modaraba certificates of Rs. 10 each fully paid-up in cash	<b>462,200,000</b>	462,200,000
6,220,000	<b>6,220,000</b>	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	<b>62,200,000</b>	62,200,000
<b>52,440,000</b>	<b>52,440,000</b>		<b>524,400,000</b>	524,400,000

6.1 Certificates held by management company 5,532,296 (2019: 5,532,296).

**7. Reserves**

	Capital Reserves			Revenue Reserves			2020 Rupees	2019 Rupees
	Statutory Reserve *	Certificate premium account	Total Reserve	Accumulated Loss	General Reserve	Total Reserves		
Opening balance - restated	161,050,000	131,100,000	292,150,000	(133,508,407)	27,120,000	185,761,593	185,761,593	144,704,067
Transfer from Profit & Loss Account	-	-	-	(47,059,324)	-	(47,059,324)	(47,059,324)	(3,917,234)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	40,477,284	-	40,477,284	40,477,284	44,974,760
Closing balance	161,050,000	131,100,000	292,150,000	(140,090,447)	27,120,000	179,179,553	179,179,553	185,761,593

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.

**8. Surplus on revaluation of fixed assets**

	Note	2020 Rupees	2019 Rupees
Opening balance		<b>570,102,598</b>	633,447,331
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)		<b>40,477,284</b>	44,974,760
Related deferred tax liability		<b>16,532,975</b>	18,369,973
Closing balance		<b>513,092,339</b>	570,102,598
Opening balance		<b>165,329,753</b>	183,699,725
Less: incremental depreciation charged during the year transferred to the profit and loss account.		<b>(16,532,975)</b>	(18,369,973)
Closing balance		<b>148,796,778</b>	165,329,752
Net Closing balance		<b>364,295,561</b>	404,772,845

**9. Long term financing**

*Secured - Financial institution*

Habib Bank Limited - Term Loan	9.1	<b>7,760,837</b>	21,009,598
The Bank of Punjab - Demand Finance	9.2	-	111,503,000
Habib Metropolitan Bank - Term Loan	9.3	<b>33,601,755</b>	45,169,434
		<b>41,362,592</b>	177,682,032
Less: Current portion shown under current liabilities		<b>(3,714,037)</b>	(142,364,351)
		<b>37,648,555</b>	35,317,681

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		2020 Rupees	2019 Rupees
9.1 <i>Habib Bank Limited - Demand Finance</i> Demand finance II	9.1.1	<b>7,760,837</b>	21,009,598
		<b>7,760,837</b>	21,009,598

9.1.1 This facility is obtained for the modernisation and upgradation of plant and machinery and is secured against exclusive charge of Rs. 50 million on assets to be imported under the sanctioned term loan limit amounting to Rs. 50.000 million. This finance carries mark up at 6 months KIBOR plus 2% per annum payable on quarterly basis. This facility is repayable in 10 equal quarterly installments with 6 month grace period commencing from April 10, 2018.

9.2 <i>The Bank of Punjab</i> Demand finance I	9.2.1	-	111,503,000
		-	111,503,000

9.2.1 This amount was 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 was secured against existing first pari passu charge of Rs. 643.72 million on all present and future fixed assets of the Company with 25% margin duly registered with SECP.

The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. As per the revised terms, the facility is additionally secured with equitable mortgage of project building and personal guarantee of three directors of the Company.

The charge over the said project ranks pari passu with the charge registered with Habib Bank Limited. The finance carries markup at the rate of 3 month KIBOR plus 200 bps with a floor of 11% per annum payable on quarterly basis. The loan is now repayable in 43 quarterly installments commencing from April 15, 2010.

9.2.2 The facility was created against conversion of accrued markup upto September 30, 2009 on all facilities except LTF-EOP loan. The facility is secured against equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Bank of Punjab. The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. This loan is repayable in 39 quarterly installments commencing from April 15, 2010.

Habib Metropolitan Bank Term Loan	9.3.1	<b>33,601,755</b>	45,169,434
		<b>33,601,755</b>	45,169,434

9.3.1 This facility is obtained for the modernisation and upgradation of plant and machinery and is secured against exclusive hypothecation charge of Rs. 125.340 million (2019: Rs. 125,340 million) on assets to be imported under the sanctioned term loan limit amounting to Rs. 75.000 million (2019: Rs. 75 million). This finance carries mark up at three months KIBOR plus 2.5% per annum payable on quarterly basis. This facility is repayable in 18 equal quarterly installments commencing from March 06, 2017.

### 10. Liability against asset subject to finance lease - Secured

Balance as at July 01	<b>2,294,762</b>	2,162,808
Additions during the year	<b>38,998,000</b>	1,499,000
	<b>41,292,762</b>	3,661,808
Payments / Adjustments during the year	<b>(2,381,174)</b>	(1,367,046)
	<b>38,911,588</b>	2,294,762
Less: Payable within one year shown under current liabilities	<b>(4,705,136)</b>	(1,404,330)
	<b>34,206,452</b>	890,432

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

	2020			2019		
	Upto one year	One to five years	Total	Upto one year	One to five years	Total
Minimum lease payments outstanding	8,358,351	36,630,005	44,988,356	1,571,486	978,960	2,550,446
Financial charges not due	(3,653,215)	(2,423,553)	(6,076,768)	(167,156)	(88,528)	(255,684)
Payable within one year shown under current liabilities	4,705,136	34,206,452	38,911,588	1,404,330	890,432	2,294,762
Present value of minimum lease payments	(4,705,136)	-	(4,705,136)	(1,404,330)	-	(1,404,330)
<b>Total</b>	-	34,206,452	34,206,452	-	890,432	890,432

**FOR THE YEAR ENDED JUNE 30, 2020**

11.		2020 Rupees	2019 Rupees
	<b>Deferred liabilities</b>		
	Deferred taxation liability	11.1 106,286,688	146,501,497
	Staff gratuity	11.2 4,551,260	4,251,794
		<b>110,837,948</b>	<b>150,753,291</b>
11.1	<i>Deferred taxation liability/asset</i>		
	The net balance for deferred taxation is in respect of the following temporary differences:		
	<i>Deferred tax liabilities</i>		
	Accelerated tax depreciation allowance	95,915,628	88,305,677
	Revaluation of operating fixed assets	148,796,788	165,329,753
	Lease Rentals	640,595	428,159
		<b>245,353,001</b>	<b>254,063,589</b>
	<i>Deferred tax assets</i>		
	Provision for bad debts against local debtors	(3,019,953)	(3,019,953)
	turnover tax	(136,046,360)	(104,542,139)
		<b>106,286,688</b>	<b>146,501,497</b>
11.2	<i>Staff gratuity</i>	<b>4,551,260</b>	<b>4,251,794</b>
11.2.1	<i>General description</i>		
	Employees, after completion of one year of service, shall be entitled for gratuity on leaving the company's employment. Gratuity shall be paid on the basis of one month's last drawn monthly gross salary for each completed year of service.		
	Annual provision is based on actuarial valuation, which was carried out as at June 30, 2020 on September 10, 2020 using the Projected Unit Method.		
11.2.2	<i>Amount recognized in the balance sheet are as follow:</i>		
	Present value of defined benefit obligation	4,551,260	4,251,794
	Fair value of plan assets	-	-
	Total defined benefit obligation	<b>4,551,260</b>	<b>4,251,794</b>
11.2.3	<i>Movement in defined benefit obligation</i>		
	Opening balance	4,251,794	4,045,679
	Charged for the define benefit plan		
	Current service cost	413,980	351,351
	Net interest	603,797	404,568
	Actuarial loss on obligation	(689,061)	(549,804)
		<b>328,716</b>	<b>206,115</b>
	Benefits paid	(29,250)	-
	Closing balance	<b>4,551,260</b>	<b>4,251,794</b>
		<i>Rate per annum</i>	
11.2.4	<i>Actuarial assumptions</i>		
	Valuation discount rate	8.50%	14.25%
	Salary increase rate -Short term (period of next one year)	8.50%	14.25%
	Salary increase rate- long term	8.50%	14.25%
12.	<b>Short term borrowings</b>		
	<i>Secured - financial institutions (Running finance arrangements)</i>		
	Habib Bank Limited - Pledge	12.1 76,024,091	170,437,603
	Habib Bank Limited - Hypothecation	12.2 10,000,000	10,000,000
	Habib Metropolitan Bank - Pledge	12.3 43,283,783	51,167,013
		<b>129,307,874</b>	<b>231,604,616</b>
12.1	The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory. This facility is secured against pledge of raw cotton with 10% margin and pledge of cotton / blended yarn with 15% margin. The finance carries mark-up at the rate of 1 month KIBOR + 150 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 90 million (2019: Rs. 240 million).		
12.2	The facility was obtained for working capital requirements. This facility was secured against first pari passu charge of Rs. 57 million on stocks and receivables of the Company. The finance carries markup at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limits Rs. 10 million (2019: 10 million).		
12.3	The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory with a 10% margin. This facility is secured against first pari passu charge of Rs. 234 million on stocks and receivables of the Company. The finance carries markup at the rate of 6 month KIBOR plus 200 basis points (2019: 200 basis points) to be calculated on monthly basis. The total sanctioned limit is Rs. 125 million (2019: 125 million).		

**FOR THE YEAR ENDED JUNE 30, 2020**

			2020 Rupees	2019 Rupees
13	<b>Current portion of long term liabilities</b>	Note		
	<i>Secured – financial institution</i>			
	Bank of Punjab Demand Finance		-	111,503,000
	Habib Bank Limited - Term Loan		<b>3,714,037</b>	16,187,259
	Habib Metropolitan Bank Limited - Term Loan		-	<u>14,674,092</u>
			<b>3,714,037</b>	142,364,351
	Liabilities against assets subject to finance lease		<b>4,705,136</b>	1,404,330
			<b>8,419,173</b>	<u>143,768,681</u>
14	<b>Creditors, accrued and other liabilities</b>			
	Creditors		<b>257,180,595</b>	315,389,453
	Accrued expenses		<b>454,978,716</b>	400,917,830
	Charity		<b>5,375</b>	6,875
	Payable to clients		<b>2,733,586</b>	2,482,479
	Advance from customer		-	2,953,153
	Sale tax payable		<b>2,023,028</b>	29,197
	Withholding tax payable		<b>697,592</b>	96,558
	Workers' Welfare Fund		<b>2,507,186</b>	2,507,186
	Workers' Profit Participation Fund		-	490,633
	Other liabilities	14.1	<b>196,585</b>	388,683
			<b>720,322,663</b>	<u>725,262,047</u>
14.1	This includes Rs. 196,585 (2019: Rs. 388,683) payable to Premier Financial Services (Private) Limited			
15.	<b>Accrued Mark Up</b>			
	Financial institutions		<b>7,145,156</b>	34,691,151
			<b>7,145,156</b>	<u>34,691,151</u>
16.	<b>Contingencies and commitments</b>			

*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, Excise and Taxation and HESCO aggregating to Rs. 44.792 million (2019: Rs. 35.940 million).

During prior years, case was decided in the International Court of Arbitration against the Company in respect of liabilities amounting to US\$ 515,067. 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. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During prior years, the Company received letter dated March, 25, 2016 from the Regional Head of Employee Old Age Benefit Institution regarding payment of EOBI contribution. However, the Company, based on the legal advice, is of the view that after the transition of powers to provincial authorities, the Company is not required to pay EOBI contribution to the Federal Government. Accordingly, the suit was filed with the Honorable High Court of Sindh on May 6, 2016 against the notice received from Regional Head EOBI. The Honorable High Court of Sindh has passed restraining orders against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During prior years, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice for short payment of further tax under section 11 (2) of Sales Tax Act, 1990 for the tax years 2016 and 2017. The Company has filed appeal to the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During prior years, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice under section 8(i)h of Sales Tax Act, 1990 for the tax years 2014, 2015, 2016, 2017 and 2018 disallowing the input tax on construction material. The Company has filed appeal with the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During the year, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice for payment of sales tax and further tax amounting to Rs. 5.271 million under section 11 (2) of Sales Tax Act, 1990 on the sale of goods to M/s Vezel Enterprises. The Company has filed appeal to the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During the year, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice for recovery of inadmissible input tax amounting to Rs. 1.659 million under section 11 (2) of Sales Tax Act, 1990 on the sale of goods to non-active, blacklisted registered persons. The Company has filed appeal to the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

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 amounting to Rs. 34.1 million (2019: 16.444 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

17.	Note	2020 Rupees	2019 Rupees
	17.1	1,129,311,419	1,200,096,927
		1,129,311,419	1,200,096,927

Particulars	2020								
	Cost				Accumulated depreciation			Book value	Rate
	As at July 01, 2019	Addition	Revaluation Surplus	As at June 30, 2020	As at July 01, 2019	Charged during the year	As at June 30, 2020	As at June 30, 2020	%
	Rupees								
<b>Owened</b>									
Leasehold land	40,140,000	-	-	40,140,000	4,916,306	352,237	5,268,543	34,871,457	1
Factory building	353,467,212	985,349	-	354,452,561	195,673,126	15,938,594	211,611,720	142,840,841	10
Colony building	115,605,130	-	-	115,605,130	48,124,778	6,748,035	54,872,813	60,732,317	10
Plant & machinery	1,809,665,625	7,875,870	-	1,817,541,495	1,000,397,196	81,449,109	1,081,846,305	735,695,185	10
Gas generator	118,705,138	-	-	118,705,138	74,570,965	4,413,417	78,984,382	39,720,756	10
Electric installations	87,551,967	-	-	87,551,967	55,206,681	3,234,529	58,441,210	29,110,757	10
Office premises	25,450,810	-	-	25,450,810	11,853,581	1,162,916	13,016,497	12,434,313	5 & 10
Grid Station	32,179,692	-	-	32,179,692	10,899,078	2,128,061	13,027,139	19,152,553	
Office equipments	1,132,225	149,500	-	1,281,725	984,181	90,043	1,074,224	207,501	20
Factory equipment	6,415,872	-	-	6,415,872	3,407,481	300,839	3,708,320	2,707,552	20
Computers	2,453,455	95,015	-	2,484,970	2,102,120	147,365	2,185,985	298,985	33 & 20
		(63,500)	-			(63,500)			
Motor vehicles	23,665,120	1,263,817	-	22,595,437	12,289,235	2,452,826	12,588,195	10,007,242	20
		(2,33,500)	-			(2,153,866)			
Furniture & fixtures	1,472,609	-	-	1,472,609	1,015,474	45,713	1,061,187	411,422	20
Leased Asset-Vehicle	5,418,000	4,133,960	-	7,338,860	1,785,726	1,553,247	2,389,690	4,949,170	20
		(2,213,100)				(949,283)			
Lease Asset-Machinery		37,167,775		37,167,775	1,423,225,928	996,410	996,410	36,171,365	10
<b>2020</b>	<b>2,623,322,855</b>	<b>51,671,286</b>		<b>2,670,384,041</b>		<b>121,013,340</b>	<b>1,541,072,620</b>	<b>1,129,311,419</b>	
		<b>(4,610,100)</b>				<b>(3,166,649)</b>			

Particulars	2019								
	Cost				Accumulated depreciation			Book value	Rate
	As at July 01, 2018	Addition	Revaluation Surplus	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019	As at June 30, 2019	%
	Rupees								
<b>Owened</b>									
Leasehold land	40,140,000	-	-	40,140,000	4,560,511	355,795	4,916,306	35,223,694	1
Factory building	353,467,212	-	-	353,467,212	178,140,450	17,532,676	195,673,126	157,794,086	10
Colony building	113,347,720	2,257,410	-	115,605,130	40,647,863	7,476,915	48,124,778	67,480,352	10
Plant & machinery	1,766,673,856	42,991,769	-	1,809,665,625	913,554,478	86,842,718	1,000,397,196	809,268,429	10
Gas generator	118,705,138	-	-	118,705,138	69,667,168	4,903,797	74,570,965	44,134,173	10
Electric installations	87,551,967	-	-	87,551,967	51,612,760	3,593,921	55,206,681	32,345,286	10
Office premises	25,450,810	-	-	25,450,810	10,690,666	1,162,915	11,853,581	13,597,229	5 & 10
Grid Station	32,179,692	-	-	32,179,692	8,534,565	2,364,513	10,899,078	21,280,614	
Office equipments	1,114,225	18,000	-	1,132,225	904,464	79,717	984,181	148,044	20
Factory equipment	6,415,872	-	-	6,415,872	3,073,215	334,266	3,407,481	3,008,391	20
Computers	2,453,455	-	-	2,453,455	1,920,755	181,365	2,102,120	351,335	33 & 20
Motor vehicles	22,553,479	4,070,746	-	23,665,120	11,902,036	2,980,183	12,289,235	11,375,885	20
		(2,959,105)				(2,592,984)			
Furniture & fixtures	1,472,609	-	-	1,472,609	964,682	50,792	1,015,474	457,135	20
Leased Asset-Vehicle	3,919,000	1,499,000	-	5,418,000	1,065,033	720,693	1,785,726	3,632,274	20
<b>2019</b>	<b>2,575,445,035</b>	<b>50,836,925</b>		<b>2,623,322,855</b>	<b>1,297,238,646</b>	<b>128,580,266</b>	<b>1,423,225,928</b>	<b>1,200,096,927</b>	
		<b>(2,959,105)</b>				<b>(2,592,984)</b>			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
17.1.1 Depreciation for the year has been allocated as follows:			
<i>Modaraba business</i>			
Administrative expense		1,461,968	1,449,574
<i>Brokerage business</i>			
Administrative expense		1,199,082	1,205,754
<i>Textile Business</i>			
Cost of sale		116,214,640	123,688,608
Administrative expense		2,137,649	2,236,328
		<b>121,013,340</b>	<b>128,580,264</b>

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

Factory building	42,814,835	46,654,079
Colony building	9,897,196	10,996,884
Plant & machinery	401,913,902	397,397,605
Gas generator	15,241,843	16,935,381
Electric installations	10,989,869	12,210,966
Factory equipment	1,532,330	1,702,589
	<b>482,389,975</b>	<b>485,897,504</b>

### 17.2 Fair value measurement

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

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

#### *Valuation techniques used to derive level 2 fair values*

Fair value of factory building and colony building was derived using a sales comparison approach. Sale prices of comparable buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

#### *Valuation techniques used to derive level 3 fair values*

In the absence of current prices in an active market, the fair values of plant and machinery, generators, electric installations and factory equipment was determined by taking into account the following factors:

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

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

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

Opening balance (level 3 recurring fair values)	888,756,276	1,003,901,887
Additions - Cost	45,043,645	45,249,179
Depreciation charge	(90,394,304)	(95,674,702)
Closing balance (level 3 recurring fair values)	<b>843,405,617</b>	<b>953,476,364</b>

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

### 18. Intangible

Cost	18.1	10,000,000	10,000,000
Impairment loss	18.2	4,251,436	-
		<b>14,251,436</b>	<b>10,000,000</b>

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

## 18.2 Intangible Asset Transfer from Capital Work In Progress

Note

2020  
Rupees2019  
Rupees

## Net carrying value basis

Opening book value	-	-
Additions (at cost)	4,475,196	-
Amortization charged	(223,760)	-
Closing net book value	4,251,436	-

## Gross carrying value basis

Cost	4,475,196	-
Accumulated amortization	(223,760)	-
Net book value	4,251,436	-

Amortization rate per annum

10%

## 19. Capital Work in Progress

Building	4,877,875	917,960
Intangible asset under development	-	4,475,196
	4,877,875	5,393,156

## 19.1 The movement of capital work in progress is as follows:

Particulars	Balance as at July 01, 2019	Additions during the year	Transferred to operating fixed assets / Intangibles	Balance as at June 30, 2020
Building	917,960	4,877,875	(917,960)	4,877,875
Intangible asset under development	4,475,196	-	(4,475,196)	-
	5,393,156	4,877,875	(5,393,156)	4,877,875

Particulars	Balance as at July 01, 2018	Additions during the year	Transferred to operating fixed assets	Balance as at June 30, 2019
Building	-	3,175,370	(2,257,410)	917,960
Intangible asset under development	-	4,475,196	-	4,475,196
	-	7,650,566	(2,257,410)	5,393,156

## 20. Investment Property

June 30, 2020								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2020	Rate %
	As at July 01, 2019	Transfer	As at June 30, 2020	As at July 01, 2019	Charged during the year	As at June 30, 2020		
Office premises	2,400,000	-	2,400,000	928,333	120,000	1,048,333	1,351,667	5

June 30, 2019								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2019	Rate %
	As at July 01, 2018	Transfer	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019		
Office premises	2,400,000	-	2,400,000	808,333	120,000	928,333	1,471,667	5

FOR THE YEAR ENDED JUNE 30, 2020

21.	Long term investments	Note	2020 Rupees	2019 Rupees
	<i>Investment classified at cost</i>			
	Listed securities	21.1.1	41,800	10,853,740
	Unlisted securities	21.2	32,146,031	32,146,031
			<b>32,187,831</b>	42,999,771
21.1	<i>Equity Investment classified at cost</i>			
21.1.1	<u>Listed securities</u>			
	The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:			
	2019 Number		2020 Rupees	2019 Rupees
	22,000			
	<b>22,000</b>			
	1,081,194			
	-			
	1,103,194			
	<b>22,000</b>			
		<i>Financial Services</i>		
		Javed Omer Vohra & Company Limited	41,800	41,800
		Pakistan Stock Exchange Limited	-	10,811,940
			<b>41,800</b>	10,853,740
21.2	<u>Unlisted securities</u>			
	The holding is in ordinary shares of Rs. 10 each.			
	50,000			
	<b>50,000</b>			
	3,034,603			
	<b>3,034,603</b>			
	78,150			
	<b>78,150</b>			
	3,162,753			
	<b>3,162,753</b>			
		Sapphire Power Generation Limited	21.2.1	1,800,000
		ISE Towers REIT Management Company Limited	21.2.2	30,346,030
		Callmate Telips Telecom Limited	21.2.3	1
			<b>32,146,031</b>	32,146,031
21.2.1	Net assets value per share of Sapphire Power Generation Limited is Rs. 48.55 (2018: Rs.53.81) as per financial statements as at June 30, 2019 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.			
21.2.2	Net assets value per share of ISE Towers REIT Mangement Company Limited is Rs. 15.45 (2019: Rs. 14.49) as per financial statements as at June 30, 2020 audited by BDO Ebrahim & Company, Chartered Accountants.			
21.2.3	The company is in the process of winding up, hence Net assets value per share is not available.			
22.	<b>Stores and spares</b>			
	- in hand			
			52,292,527	50,484,405
			<b>52,292,527</b>	50,484,405
23.	<b>Stock-in-trade</b>			
	Raw material			
	- in hand		228,688,274	293,733,437
	Work in Process		14,635,008	17,906,448
	Finished goods	23.1	64,329,826	85,618,223
			<b>307,653,108</b>	397,258,108
23.1	The carrying amount of finished goods includes inventories amounting to Rs. 61.950 million (2019: 1.795) million which were carried at net realizable value.			



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

		Note	2020 Rupees	2019 Rupees
<b>24.</b>	<b>Trade debts</b>			
	Unsecured - considered good		117,911,649	212,260,797
	Unsecured - considered doubtful		-	9,843,370
	Less: Provision for bad debts against local debtors		(10,413,633)	(10,413,633)
			(10,413,633)	(570,263)
			<b>107,498,016</b>	<b>211,690,534</b>
<b>25.</b>	<b>Morabaha/Musharaka receivables-secured</b>			
	Musharaka - considered good	25.1	53,074,682	139,582,651
	Morabaha - considered doubtful		17,380,055	17,380,055
			70,454,737	156,962,706
	Provision for non performing assets		(17,380,055)	(17,380,055)
			<b>53,074,682</b>	<b>139,582,651</b>
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 % per annum (2019: 12 % to 16% per annum).			
<b>26.</b>	<b>Short term investments</b>			
	<i>Investment classified as financial asset at fair value through profit or loss</i>			
	Listed securities	26.1	85,964,713	76,403,158
			<b>85,964,713</b>	<b>76,403,158</b>
26.1	<u>Listed securities</u>			
	The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:			
	2020	2019		
	Number	Number		
			<i>Oil and Gas</i>	
	20,600	20,775	Attock Refinery	1,855,623
	2,500	2,500	Oil & Gas Development Co Limited	272,500
	38,000	40,000	Pakistan Refinery Limited	456,400
	1,120	1,344	Pakistan State Oil	212,567
	1,700	2,000	National Refinery Limited	214,560
	52,720	62,720	Sui Northern Gas Pipeline Limited	3,300,732
	3,000		Sui Southern Gas Pipeline Limited	-
	-	1,300	Pakistan Petroleum Limited	112,814
			<i>Food</i>	
	10,700	10,700	Engro Foods Limited	786,557
	1,575	1,949	Matco Foods Limited	37,148
	4,000	4,000	Treat Corporation Limited	71,440
	51,500	56,650	Al Tahur Limited	976,080
	-	600	Clover Pakistan Ltd	57,024
			<i>Chemicals</i>	
	12,500	12,500	Ghani Global Glass Limited	149,500
	33,296	33,296	Ghani Gases Limited	523,746
	144,500	77,500	Lotte Chemical Pakistan PTA Limited	771,125
	5,661	5,661	Engro Polymer - Unpaid Right	141,412
	13,000	13,000	Nimir Resins Limited	80,340
	19,500	19,500	Sardar Chemical Industries	384,150
	14,500	14,500	Sitara Peroxide Limited	295,945
	20,000	20,000	Agritech Limited	93,600
			<i>Construction and materials</i>	
	10,600		AkzoNobel Pakistan Limited	-
	5,000	5,000	Bestway Cement Limited	543,650
	319,500	319,500	Dewan Cement Limited	2,485,710
	8,478	14,578	DG Khan Cement Limited	1,243,941
	5,000	5,000	Fly Cement Limited	45,250
	2,000	2,200	Cherat Cement Company Limited	191,774
	35,762	59,961	MapleLeaf Cement Limited	1,557,787
	200	200	Lucky Cement Limited	92,316
				1,060,530
				515,350
				2,495,295
				479,346
				67,800
				61,920
				854,354
				76,094

FOR THE YEAR ENDED JUNE 30, 2020

2019 Number	2020 Number	Note	2020 Rupees	2019 Rupees
2,095,963	<b>2,095,963</b>	Power Cement Limited	<b>12,994,970</b>	13,477,042
14,500	-	Pioneer Cement Limited	-	328,425
		<i>Transport</i>		
387,420	<b>392,420</b>	Pakistan International Bulk Terminals Limited	<b>3,453,296</b>	3,269,825
		<i>Pharma and biotech</i>		
15,505	<b>19,705</b>	The Searle Pakistan Limited	<b>3,925,827</b>	2,272,413
19,000	<b>12,000</b>	AGPLimited	<b>1,316,880</b>	1,302,070
	<b>200</b>	Otsuka Pakistan Ltd	<b>67,600</b>	
		<i>Automobile and parts</i>		
2,326	<b>2,359</b>	Gandhara Nissan Limited	<b>148,027</b>	121,952
267,000	<b>267,000</b>	Ghani Automobile Limited	<b>1,631,370</b>	915,810
680	<b>845</b>	Millat Tractors Limited	<b>596,705</b>	586,418
2,500	<b>2,500</b>	Dewan Farooqui Motors Limited	<b>13,000</b>	16,975
700	<b>700</b>	Honda Atlas Car Pakistan Limited	<b>135,576</b>	103,824
1,360	<b>1,360</b>	General Tyre & Rubber Co	<b>99,960</b>	70,054
900	<b>900</b>	Gandhara Industries Limited	<b>108,900</b>	78,633
		<i>Paper &amp; Board</i>		
59,400	<b>59,400</b>	Roshan Packages Limited	<b>1,331,748</b>	793,584
		<i>Engineering</i>		
105,200	<b>105,200</b>	Aisha Steel Limited	<b>968,892</b>	967,840
14,500	<b>14,500</b>	International Steel Limited	<b>748,925</b>	575,795
19,000	<b>19,000</b>	Huffaz Seamless Pipes	<b>289,750</b>	256,120
2,500	<b>8,500</b>	Amreli Steel Limited	<b>277,440</b>	61,650
		<i>Textile Composite</i>		
258,000	<b>254,000</b>	International Knitwear Limited	<b>4,191,000</b>	3,279,180
12,500	<b>12,500</b>	Amtex Limited	<b>7,000</b>	7,750
7,500	<b>7,500</b>	Chawkwal Spinning Mills Limited	<b>12,300</b>	12,375
1,200	<b>100</b>	Suraj Cotton Mills Limited	<b>16,499</b>	149,748
		<i>Miscellaneous</i>		
21,188	<b>24,366</b>	United Distributors Limited	<b>810,169</b>	634,369
32,000	-	Hyderi Construction Co	-	528,320
		<i>Sugar &amp; Allied</i>		
1,000	<b>1,000</b>	Imperial Sugar Limited	<b>13,410</b>	11,970
15,000	<b>15,000</b>	Haseeb Waqas Sugar Limited	<b>30,600</b>	40,500
		<i>Fixed line telecommunication</i>		
725,000	<b>725,000</b>	Pakistan Telecommunication Company Limited	<b>6,438,000</b>	5,995,750
21,500	<b>21,500</b>	TRG Pakistan Limited	<b>607,160</b>	351,740
5,300	<b>5,300</b>	Netsol Technologies	<b>263,463</b>	349,217
	<b>105,000</b>	Worldcall Telecom Limited	<b>91,350</b>	
		<i>Cable &amp; electrical goods</i>		
17,000	<b>17,000</b>	Pak Electron Limited	<b>389,910</b>	340,340
70,000	<b>70,000</b>	TPL Tracker Limited	<b>361,900</b>	341,600
		<i>Power Generation &amp; Distribution</i>		
590,000	<b>595,000</b>	K-Electric Limited	<b>1,790,950</b>	2,590,100
6,000		Kot Addu Power Company Limited	-	218,280
		<i>Insurance</i>		
1,579,749	<b>1,579,749</b>	Premier Insurance Limited	<b>7,898,745</b>	9,525,923
10,000	<b>10,000</b>	Crescent Star Insurance Limited	<b>18,800</b>	12,200
		<i>Inv Banks / Inv Cos / Securities Cos</i>		
706,759	<b>1,787,953</b>	Pakistan Stock Exchange	<b>17,700,735</b>	9,187,867
		<i>Glass &amp; Ceramics</i>		
14,000	<b>14,000</b>	Balochistan Glass Ltd.	<b>90,860</b>	56,140
1,300	<b>1,300</b>	Ghani Glass Ltd.	<b>53,495</b>	57,135
		<i>Real Estate</i>		
10,000	<b>10,000</b>	Dolmen City REIT	<b>108,900</b>	101,700
		<i>Synthetic &amp; Rayon</i>		
1,000	<b>1,000</b>	Tri Star Polyester Limited	<b>7,010</b>	9,200
			<b>85,964,713</b>	76,403,158





FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
33.1 <i>Income from modaraba's business</i>			
Profit on musharaka		12,992,030	14,914,553
Brokerage commission		504,670	493,472
Capital (loss) / gain		(3,138,959)	(7,570,048)
Dividends		1,709,977	3,129,816
Rentals		3,000,000	2,700,000
Commission and fees		-	12,888
		<b>15,067,718</b>	<b>13,680,681</b>
33.2 <i>Income from textile's business</i>			
Sales			
- Local		3,076,551,238	3,413,980,576
-Raw Material Sales		7,868,417	-
- Waste Sales		93,988,223	88,454,951
- Scrap Sales		953,841	-
		<b>3,179,361,719</b>	<b>3,502,435,527</b>
Commission to selling agent		(108,510,010)	(118,090,039)
		<b>3,070,851,709</b>	<b>3,384,345,488</b>
Cost of sale	33.3	(3,002,263,059)	(3,265,612,649)
		<b>68,588,650</b>	<b>118,732,839</b>
33.3 <i>Cost of sale</i>			
Raw material consumed	33.3.1	2,372,724,053	2,688,714,579
Store consumed		36,416,653	45,088,715
Packing material consumed		30,593,730	33,752,143
Salaries, wages and other benefits		180,610,410	178,998,045
Fuel and power		224,053,163	216,769,772
Insurance		8,258,632	8,360,532
Repair & maintenance		3,170,260	3,828,653
Depreciation	17.1.1	116,214,640	123,688,608
Other manufacturing overheads		5,661,681	3,383,859
		<b>2,977,703,222</b>	<b>3,302,584,906</b>
Work in Process			
-opening stock		17,906,448	9,169,364
-closing Stock		(14,635,008)	(17,906,448)
Cost of goods manufactured		<b>2,980,974,662</b>	<b>3,293,847,822</b>
Finished goods			
-opening stock		85,618,223	57,383,050
-closing Stock		(64,329,826)	(85,618,223)
		<b>3,002,263,059</b>	<b>3,265,612,649</b>
33.3.1 <u>Raw material consumed</u>			
Opening stock		293,733,437	272,935,600
Purchased during the year		2,307,678,890	2,709,512,416
		<b>2,601,412,327</b>	<b>2,982,448,016</b>
Closing stock		(228,688,274)	(293,733,437)
		<b>2,372,724,053</b>	<b>2,688,714,579</b>
34. <b>Operating expenses</b>			
Salaries, allowances and benefits	34.2	25,271,862	24,261,742
Director fee		2,153,226	200,000
Traveling, conveyance and entertainment		1,881,156	1,671,015
Telephone and postage		1,022,538	1,116,439
Rent, rates and taxes		1,771,861	1,412,476
Electricity		1,283,652	1,134,039
Insurance		1,216,668	1,149,961
Printing, stationery and advertising		1,362,502	1,218,766
Fees and subscriptions		2,056,359	2,439,302
Vehicle running and maintenance		4,702,812	4,162,691
Depreciation	17.1.1	4,918,699	5,011,658

**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
Facilities and utilities		4,261,865	4,317,228
Repair and maintenance		3,074,835	1,883,598
Annual Review Meeting		205,065	102,627
Auditors' remuneration	33.3	755,600	702,730
Legal and professional		3,445,917	2,389,677
Shariah Advisor		200,000	200,000
Training and development		30,000	10,000
Bad debts		-	570,263
PSX & SECP Charges		446,479	264,832
Withholding & CVT tax		243,840	18,278
Amortization Expense		223,760	-
Cartage expense		58,820	110,340
Others		378,579	513,212
		<b>60,921,095</b>	<b>54,660,874</b>
<b>34.1 Remuneration of officers and other employees</b>			
		<b>2020</b>	<b>2019</b>
		<b>Officers</b>	<b>Other Employees</b>
		<b>Officers</b>	<b>Other Employees</b>
Salaries and allowances		2,304,000	1,831,260
Gratuity and Leave fare		46,800	183,400
Expenses reimbursed: Medical		207,948	240,352
		<b>2,558,748</b>	<b>2,255,012</b>
		2,688,000	2,054,000
		524,800	113,476
		131,983	285,793
		3,344,783	2,453,269
<b>34.2 Salaries, allowances and benefits include provision for gratuity of Rs. 1,017,777 ( 2019: Rs. 755,919). Officers are also provided with free use of Modaraba maintained cars.</b>			
<b>34.3 Auditor's remuneration</b>			
Audit fee		614,800	610,000
Half yearly review		26,500	26,500
Other fees		114,300	66,230
		<b>755,600</b>	<b>702,730</b>
<b>35. Distribution and Selling Expenses</b>			
Freight loading and unloading		15,865,902	18,024,264
Clearing Forwarding Exports		57,280	-
		<b>15,923,182</b>	<b>18,024,264</b>
<b>36. Financial Charges</b>			
<i>Mark up / interest on :</i>			
Long term loan - secured		16,419,556	30,276,672
Short term loan & running finance - secured		26,810,155	30,121,502
Finance Lease		598,815	208,838
Bank charges		5,416,958	4,182,186
		<b>49,245,484</b>	<b>64,789,198</b>
<b>37. Other income</b>			
Profit on PLS deposits		239,344	85,400
Gain on sale of fixed assets		1,322,860	508,879
Interest income		1,692,930	532,599
Others		-	1,535,659
		<b>3,255,134</b>	<b>2,662,537</b>

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
<b>38. Other charges</b>		
Worker Welfare Fund	-	146,475
Workers Profit Participation Fund	-	385,462
Exchange Loss on Import	<b>345,600</b>	-
	<b>345,600</b>	531,937

**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.  
The return of the Modaraba was filed upto 2019 which is deemed assessment subject to audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance). The assessment of the Modaraba for the tax year 2018 is in process under section 177 of the Ordinance which is not yet finalized.

<b>40. (Loss) / Earnings per certificates - basic and diluted</b>		
(Loss) / Profit for the year	<b>(47,059,324)</b>	(3,917,234)
	<b>Number</b>	Number
Weighted average number of certificates outstanding during the year	<b>52,440,000</b>	52,440,000
	<b>Rupees</b>	Rupees
(Loss) per certificate - basic and diluted	<b>(0.90)</b>	(0.07)

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

*Credit and concentration risk*

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

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

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

Investment	<b>118,152,544</b>	119,402,929
Trade debts	<b>107,498,016</b>	211,690,534
Morabaha/Musharaka receivables-secured	<b>53,074,682</b>	139,582,651
Advances-considered good	<b>18,552,984</b>	38,318,165
Trade deposits and prepayments	<b>84,371,961</b>	76,988,464
Other receivables	<b>29,985,520</b>	29,630,740
	<b>411,635,707</b>	615,613,483

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 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.

	2020			
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	32,187,831	-	32,187,831
Trade debts	107,498,016	-	-	107,498,016
Morabaha & musharaka receivables	53,074,682	-	-	53,074,682
Short term investments	85,964,713	-	-	85,964,713
Advances	16,042,984	2,510,000	-	18,552,984
Trade deposits	78,174,590	5,784,700	-	83,959,290
Other receivables	29,985,520	-	-	29,985,520
Bank balances	100,949,196	-	-	100,949,196
	471,689,701	40,482,531	-	512,172,232
<i>Liabilities</i>				
Security Deposit	200,000	-	-	200,000
Long term financing	-	37,648,555	-	37,648,555
Liabilities against asset subject to finance lease	4,705,136	34,206,452	-	38,911,588
Current portion of long term liabilities	3,714,037	-	-	3,714,037
Short term borrowings	129,307,874	-	-	129,307,874
Creditors, accrued and other liabilities	720,322,663	-	-	720,322,663
Accrued mark up	7,145,156	-	-	7,145,156
Unclaimed profit distribution	29,560,348	-	-	29,560,348
	894,955,214	71,855,007	-	966,810,221
Net balance	(423,265,513)	(31,372,476)	-	(454,637,989)
2019				
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	42,999,771	-	42,999,771
Trade debts	211,690,534	-	-	211,690,534
Morabaha & musharaka receivables	139,582,651	-	-	139,582,651
Short term investments	76,403,158	-	-	76,403,158
Advances	35,808,165	2,510,000	-	38,318,165
Trade deposits	74,369,842	2,130,800	-	76,500,642
Other receivables	29,630,740	-	-	29,630,740
Bank balances	10,852,925	-	-	10,852,925
	578,338,015	47,640,571	-	625,978,586
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	-	35,317,681	-	35,317,681
Liabilities against assets subject to finance lease	1,404,330	890,432	-	2,294,762
Current portion of long term liabilities	143,768,681	-	-	143,768,681
Short term borrowings	231,604,616	-	-	231,604,616
Creditors, accrued and other liabilities	725,262,047	-	-	725,262,047
Accrued mark up	34,691,151	-	-	34,691,151
Unclaimed profit distribution	29,561,214	-	-	29,561,214
	1,171,033,658	36,408,113	-	1,207,441,771
Net balance	(592,695,644)	11,232,458	-	(581,463,186)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### Market risk

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

### Operational Risk

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

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

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

### Currency risk

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

#### 42. Fair value of financial instruments

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

##### 42.1 Financial Instruments by category

	2020 Rupees	2019 Rupees
<u>Financial assets</u>		
<i>At amortized cost</i>		
Morabaha/Musharaka receivables	53,074,682	139,582,651
Trade debts	107,498,016	211,690,534
Advances	18,552,984	38,318,165
Trade deposits	83,959,290	76,500,642
Other receivables	29,985,520	29,630,740
Bank balances	100,949,196	10,852,925
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	85,964,713	76,403,158
<i>Financial assets at cost</i>		
Long term investments	32,187,831	42,999,771
	<b>512,172,232</b>	<b>625,978,586</b>
<u>Financial liabilities at amortised cost</u>		
Security Deposit	200,000	200,000
Long term financing	37,648,555	35,317,681
Liabilities against asset subject to finance lease	34,206,452	890,432
Short term borrowing	129,307,874	231,604,616
Current portion of long term liabilities	8,419,173	143,768,681
Creditors, accrued and other liabilities	720,322,663	725,262,047
Accrued mark up	7,145,156	34,691,151
Unclaimed profit distribution	29,560,348	29,561,214
	<b>966,810,220</b>	<b>1,201,295,822</b>
On balance sheet gap	<b>(454,637,988)</b>	<b>(575,317,236)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

## 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.

	2020				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Long term investments	-	-	32,187,831	-	32,187,831
Trade debts	-	107,498,016	-	-	107,498,016
Morabaha & musharaka receivables	-	53,074,682	-	-	53,074,682
Short term investments	-	85,964,713	-	-	85,964,713
Advances	-	16,042,984	2,510,000	-	18,552,984
Trade deposits	-	78,174,590	5,784,700	-	83,959,290
Other receivables	-	29,985,520	-	-	29,985,520
Bank balances	-	100,949,196	-	-	100,949,196
	-	471,689,701	40,482,531	-	512,172,232
<i>Liabilities</i>					
Security Deposit	200,000	-	-	-	200,000
Long term financing	-	-	37,648,555	-	37,648,555
Liabilities against asset subject to finance lease	-	-	34,206,452	-	34,206,452
Deferred liabilities	-	-	4,551,260	-	4,551,260
Short term borrowing	-	129,307,874	-	-	129,307,874
Current portion of long term liabilities	-	8,419,173	-	-	8,419,173
Creditors, accrued and other liabilities	-	720,322,663	-	-	720,322,663
Accrued mark up	-	7,145,156	-	-	7,145,156
Unclaimed profit distribution	-	29,560,348	-	-	29,560,348
	200,000	894,755,214	76,406,267	-	971,361,481
Net balance	(200,000)	(423,065,513)	(35,923,736)	-	(459,189,249)

	2019				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Long term investments	-	-	42,999,771	-	42,999,771
Trade debts	-	211,690,534	-	-	211,690,534
Morabaha & musharaka receivables	-	139,582,651	-	-	139,582,651
Short term investments	-	76,403,158	-	-	76,403,158
Advances	-	35,808,165	2,510,000	-	38,318,165
Trade deposits	-	74,369,842	2,130,800	-	76,988,464
Other receivables	-	29,630,740	-	-	29,630,740
Bank balances	-	10,852,925	-	-	10,852,925
	-	578,338,015	47,640,571	-	626,466,408
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	142,364,351	35,317,681	-	177,682,032
Liabilities against asset subject to finance lease	-	1,404,330	890,432	-	2,294,762
Deferred liabilities	-	-	4,251,794	-	150,753,291
Short term borrowing	-	231,604,616	-	-	231,604,616
Current portion of long term liabilities	-	143,768,681	-	-	143,768,681
Creditors, accrued and other liabilities	-	725,262,047	-	-	725,262,047
Accrued mark up	-	34,691,151	-	-	34,691,151
Unclaimed profit distribution	-	29,561,214	-	-	29,561,214
	-	1,308,656,390	40,659,907	-	1,495,817,794
Net balance	-	(730,318,375)	6,980,664	-	(869,351,386)



FOR THE YEAR ENDED JUNE 30, 2020

44. Yield / Profit rate risk exposure

Description	Effective yield / profit risk	2020						2020 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
<i>Financial Assets</i>	%	Rupees						
Long term investments	-	-	-	-	-	32,187,831	32,187,831	32,187,831
Trade debts	-	-	-	-	107,498,016	-	107,498,016	107,498,016
Morabaha / Musharakah receivables	12% to 16%	53,074,682	-	53,074,682	-	-	-	53,074,682
Short term investments	-	-	-	-	85,964,713	-	85,964,713	85,964,713
Advances	-	-	-	-	16,042,984	2,510,000	18,552,984	18,552,984
Trade deposits	-	-	-	-	78,174,590	5,784,700	83,959,290	83,959,290
Other receivables	-	-	-	-	29,985,520	-	29,985,520	29,985,520
Bank balances	3.5% to 11.75%	89,479,798	-	89,479,798	11,469,398	-	11,469,398	100,949,196
		142,554,480	-	142,554,480	329,135,221	40,482,531	369,617,752	512,172,232
<i>Financial Liabilities</i>								
Security deposit		-	-	-	200,000	-	200,000	200,000
Long term financing		-	37,648,555	37,648,555	-	-	-	37,648,555
Liabilities against assets subject to finance lease		-	34,206,452	34,206,452	-	-	-	34,206,452
Short term borrowings		129,307,874	-	129,307,874	-	-	-	129,307,874
Current portion of long term liabilities		8,419,173	-	8,419,173	-	-	-	8,419,173
Creditor, accrued and other liabilities		-	-	-	720,322,663	-	720,322,663	720,322,663
Accrued markup		-	-	-	7,145,156	-	7,145,156	7,145,156
Unclaimed profit distribution		-	-	-	29,560,348	-	29,560,348	29,560,348
		137,727,047	71,855,007	209,582,054	757,228,166	-	757,228,167	966,810,221
On balance sheet gap		4,827,433	(71,855,007)	(67,027,574)	(428,092,945)	40,482,531	(387,610,415)	(454,637,989)

- 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	2019						2019 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
<i>Financial Assets</i>	%	Rupees						
Long term investments	-	-	-	-	-	42,999,771	42,999,771	42,999,771
Trade debts	-	-	-	-	211,690,534	-	211,690,534	211,690,534
Morabaha / Musharakah receivables	12% to 16%	139,582,651	-	139,582,651	-	-	-	139,582,651
Short term investments	-	-	-	-	76,403,158	-	76,403,158	76,403,158
Advances	-	-	-	-	35,808,165	2,510,000	38,318,165	38,318,165
Trade deposits	-	-	-	-	74,369,842	2,130,000	76,500,642	76,500,642
Other receivables	-	-	-	-	29,630,740	-	29,630,740	29,630,740
Bank balances	2% to 11.25%	3,292,852	-	3,292,852	7,560,073	-	7,560,073	10,852,925
		142,875,503	-	142,875,503	435,462,512	47,640,571	483,103,083	625,978,586
<i>Financial Liabilities</i>								
Security deposit		-	-	-	-	200,000	200,000	200,000
Long term financing		-	35,317,681	35,317,681	-	-	-	35,317,681
Liabilities against assets subject to finance lease		-	890,432	890,432	-	-	-	890,432
Short term borrowings		231,604,616	-	231,604,616	-	-	-	231,604,616
Current portion of long term liabilities		143,768,681	-	143,768,681	-	-	-	143,768,681
Creditor, accrued and other liabilities		-	-	-	725,262,047	-	725,262,047	725,262,047
Accrued markup		-	-	-	34,691,151	-	34,691,151	34,691,151
Unclaimed profit distribution		-	-	-	29,561,214	-	29,561,214	29,561,214
		375,373,297	36,208,113	411,581,410	789,514,412	200,000	789,714,412	1,201,295,822
On balance sheet gap		(232,497,794)	(36,208,113)	(268,705,907)	(354,051,900)	47,640,571	(306,611,329)	(575,317,236)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 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.

	2020					2019	
	Musharakah Facility	Brokerage Operation	Capital Markets	Textile Business	Others	Total	Total
Rupees							
Segment Revenues	12,992,030	504,670	(1,824,302)	3,070,851,709	10,154,117	3,092,678,224	3,400,688,706
Segment Result	12,992,030	(2,998,994)	(1,824,302)	68,588,650	10,154,117	86,911,502	135,076,057
Unallocated Cost							
Operating expenses						(60,921,095)	(54,660,874)
Distribution & Selling expenses						(15,923,182)	(18,024,264)
Financial Charges						(49,245,484)	(64,789,198)
Other Charges						(345,600)	(531,937)
(Loss) before taxation						(39,523,859)	(2,930,216)
Taxation						(7,535,465)	(987,018)
Loss for the year						(47,059,324)	(3,917,234)
Other information							
Segment assets	53,074,682	22,439,480	130,447,671	1,745,328,693	1,351,667	1,952,642,193	2,340,919,543
Unallocated assets	-	-	-	-	-	129,126,630	45,319,693
Total assets	53,074,682	22,439,480	130,447,671	1,745,328,693	1,351,667	2,081,768,823	2,386,239,236
Segment liabilities	-	2,733,586	-	1,051,415,346	-	1,054,148,932	1,318,116,587
Unallocated liabilities	-	-	-	-	-	39,452,791	38,674,145
Total liabilities	-	2,733,586	-	1,051,415,346	-	1,093,601,723	1,356,790,732
						988,167,098	1,029,448,504

### 46. Transactions with related parties

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

	2020 Rupees	2019 Rupees
46.1 <i>Balance outstanding at year end</i>		
Modaraba Management Company		
- Current account payable	196,585	388,683
(Payable to) / receivable from wholly owned subsidiary company	690,039	1,048,454
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	4,551,260	4,251,794
- Brokerage house clients receivables	19,004	14,679
- Receivables	349,099	349,099
- Trade and other payable	13,214,702	13,214,702
- Loan and advances	12,260,196	25,874,675



FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
46.2 <i>Transactions during the year</i>		
<u>Modaraba Management Company</u>		
- Facilities & services and electricity	4,216,865	4,317,228
<u>Other related parties (including key management personnel)</u>		
Services acquired	539,729	370,547
Brokerage commission earned	205,309	16,170
Purchases of goods and services	-	4,170,958
Insurance claim receivable	161,990	305,147
Services rendered	23,075,888	25,584,406
Contribution towards employees	4,399,887	3,334,993
Profit on Subordinated loan from Sponsor	8,752,372	6,429,957
Contribution of staff gratuity fund	1,017,777	755,919

47. **Parent's Net Capital Balance**

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows:

DESCRIPTION	VALUATION	Note	2020 RUPEES
<b>CURRENT ASSETS</b>			
Cash and bank balances	As per book value	47.1	90,758,217
Trade receivables	Book value less overdue for more than 14 days		4,251
Investment in listed securities in the name of brokerage house	Securities marked to market less 15% discount		27,705,906
Securities purchased for client			6,692,673
PIBS	Marked to market less 5% discount		-
			<u>125,161,047</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	Book value less overdue for more than 30 days		1,006,684
Other payables	As per book values		38,084,131
			<u>39,090,815</u>
Net capital balance as at June 30, 2020			<u><u>86,070,232</u></u>
47.1. Cash and bank balances			
	Bank balance pertaining to brokerage house		87,486,646
	Bank balance pertaining to clients		3,271,571
			<u><u>90,758,217</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 48. Parent's computation of liquid capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	7,788,004	7,788,004	-
1.2	Intangible Assets	-	-	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
1.4	<b>Investment in Debt. Securities</b>			
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.5	<b>Investment in Equity Securities</b>	-	-	-
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	48,464,418	23,040,159	25,424,259
	ii. If unlisted, 100% of carrying value.	32,146,031	32,146,031	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-	-	-
1.6	Investment in subsidiaries	350,000,000	350,000,000	-
1.7	<b>Investment in associated companies/undertaking</b>			
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	1,775,000	1,775,000	-
1.9	Margin deposits with exchange and clearing house.	150,000	-	150,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	15,004,527	15,004,527	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	-	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. <i>(Securities purchased under repo arrangement shall not be included in the investments.)</i>	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	90,956	-	90,956
	ii. Receivables other than trade receivables	3,893,564	3,893,564	-
1.16	<b>Receivables from clearing house or securities exchange(s)</b>			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-

**FOR THE YEAR ENDED JUNE 30, 2020**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Receivables from customers</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	-	-
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	4,251	-	4,251
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	20,535,229	4,864,182	4,864,182
	<i>vi. 100% haircut in the case of amount receivable from related parties.</i>			
1.18	<b>Cash and Bank balances</b>			
	I. Bank Balance-proprietary accounts	87,486,646	-	87,486,646
	ii. Bank balance-customer accounts	3,271,571	-	3,271,571
	iii. Cash in hand	-	-	-
<b>1.19</b>	<b>Total Assets</b>	<b>570,610,196</b>	<b>438,511,467</b>	<b>121,291,866</b>
<b>2. Liabilities</b>				
2.1	<b>Trade Payables</b>			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	2,733,586	-	2,733,586
2.2	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	36,557,230	-	36,557,230
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	<b>Non-Current Liabilities</b>			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	4,551,260	-	4,551,260
	<b>iii. Advance against shares for Increase in Capital of Securities broker:</b> 100% haircut may be allowed in respect of advance against shares if:			
	a. The existing authorized share capital allows the proposed enhanced share capital	-	-	-
	b. Board of Directors of the company has approved the increase in capital	-	-	-
	c. Relevant Regulatory approvals have been obtained	-	-	-
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.	-	-	-
	e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Subordinated Loans</b>			
2.4	<p>i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:</p> <p>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period</p> <p>b. No haircut will be allowed against short term portion which is repayable within next 12 months.</p> <p>c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.</p> <p>ii. Subordinated loans which do not fulfill the conditions specified by SECP</p>	-	-	-
2.5	<b>Total Liabilities</b>	43,842,076	-	43,842,076

### 3. Ranking Liabilities Relating to :

3.1	<b>Concentration in Margin Financing</b> The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	<b>Concentration in securites lending and borrowing</b> The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	<b>Net underwriting Commitments</b> <b>(a) in the case of right issue :</b> if the market value of securites is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting <b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-
3.4	<b>Negative equity of subsidiary</b> The amount by which the total assets of the subsidiary ( excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	<b>Foreign exchange agreements and foreign currency positions</b> 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurrency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	<b>Repo adjustment</b> <b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securites. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	<b>Concentrated proprietary positions</b> If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Opening Positions in futures and options</b>			
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
	<b>Short sell positions</b>			
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
<b>3.11</b>	<b>Total Ranking Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

526,768,121    Liquid Capital    77,449,790

**Calculations Summary of Liquid Capital**

(i) Adjusted value of Assets (serial number 1.19)	121,291,866
(ii) Less: Adjusted value of liabilities (serial number 2.5)	(43,842,076)
(iii) Less: Total ranking liabilities (series number 3.11)	-
	<u>77,449,790</u>

**Note:** Commission may issue guidelines and clarifications in respect of the treatment of any component of Liquid Capital including any modification, deletion and inclusion in the calculation of Adjusted value of assets and liabilities to address any practical difficulty.

**49 Number of employees**

Total number of employees of the Group as at June 30, 2020 are 573 (2019: 566)  
Average number of employees of the Group are 589 (2019: 557)

**50 Authorization for issue**

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 05, 2020.

The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2019: Re. nil per certificate) for the year ended June 30, 2020, resulting in a total distribution of profit amounting to Rs. Nil (2019: Rs. Nil/-), in its meeting held on Oct 05, 2020.

**51 General**

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

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

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Nadeem Maqbool  
Director

Qaiser Ahmed Magoon  
Director

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

# **FIRST EQUITY MODARABA NOTICE OF TRANSFER BOOK CLOSURE AND 19TH ANNUAL REVIEW MEETING**

The 20th Annual Review Meeting (ARM) of certificate holders of First Equity Modaraba (FEM) will be held on Monday, December 21, 2020 at 10.30 a.m through video link from the Modaraba registered office B-1004 Lakson Square Building # 3 Sarwar Shaheed Road Karachi

## ***Normal Business***

To review the performance of the Modaraba for the year ended June 30, 2020

## ***Special Business***

To obtain consent of certificate holders of the Modaraba for transmission of the annual report and audited accounts through CD/DVD/USB instead of transmitting the said in hard copies in light of the provision of SRO 470(1)/2016 issued by the Securities and Exchange Commission of Pakistan

On behalf of the Board

## **Qazi Obaid Ullah**

Company Secretary

Dated October 05, 2020

## ***Notes :***

The certificate transfer book of the FEM shall remain closed from Tuesday, December 08, 2020 to Saturday, December 19, 2019 (both days inclusive). All transfers received by our certificate Registrar M/s THK Associates (Pvt) Ltd. 1<sup>st</sup> Floor, 40C, Block 6 P.E.C.H.S., Karachi before the close of business on Monday, December 07, 2020 will be treated valid.

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

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



## فرسٹ ایکویٹی مضاربہ ٹرانسفر بک بند ہونا اور سالانہ جائزہ میٹنگ کا انعقاد

فرسٹ ایکویٹی مضاربہ کے حصص داران کی بیسویں سالانہ جائزے کی میٹنگ (اے آر ایم) بروز پیر مورخہ 21 دسمبر 2020ء کو صبح 10:30 بجے بذریعہ ویڈیو لنک مضاربہ کے رجسٹرڈ آفس B-1004، لیکن اسکوائر بلڈنگ نمبر 3، سرور شہید روڈ، کراچی میں منعقد ہوگی۔

عام کاروبار:

اختتامی سال 30 جون 2020ء کیلئے مضاربہ کی کارکردگی کا جائزہ لینا۔

خصوصی کاروبار:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ SRO 470(1)/2016 کے مطابق سالانہ رپورٹ اور آڈٹ شدہ اکاؤنٹ کو ہارڈ کاپی میں منتقل کرنے کے بجائے CD/DVD/USB کے ذریعہ منتقلی کیلئے مضاربہ کے حصص داران کی رضامندی حاصل کرنا۔

بورڈ کی جانب سے

قاضی عبید اللہ

کمپنی سیکریٹری

مورخہ 05 اکتوبر 2020ء

نوٹ:

FEM کی ”سرٹیفیکیٹ ٹرانسفر بک“ بروز منگل 08 دسمبر 2020ء سے ہفتہ 19 دسمبر 2020ء تک (بشمول دونوں ایام) بند رہے گی۔ تمام ٹرانسفرز جو کہ ہمارے سرٹیفیکیٹ رجسٹرار میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، 40C، بلاک 6، پی ای سی ایچ ایس کراچی کی جانب سے بروز پیر 7 دسمبر 2020ء سے پہلے یعنی کاروبار کی بندش سے پہلے پہلے وصول کئے جائیں گے صرف انہیں درست تصور کیا جائے گا۔

انفرادی سرٹیفیکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ مضاربہ کو یا پھر اس کے رجسٹرار کو اپنے شناختی کارڈ کی کاپی جمع کرائیں، اگر ابھی تک جمع نہ کرائی ہو۔ انفرادی نوعیت کے علاوہ دیگر سرٹیفیکیٹ ہولڈرز کیلئے، چیکنگ کا عمل NTN نمبر میچ کرنے کے ذریعے کیا جائے گا، لہذا CDC اکاؤنٹس کے حامل کارپوریٹ شیئر ہولڈرز حصص داران سے ان کے مفاد میں درخواست کی جاتی ہے کہ وہ NTN کی کاپی فراہم کریں۔

وہ حصص داران جو ویڈیو کانفرنس کے ذریعے ARM میں شرکت کے خواہاں ہیں، ان سے درخواست کی جاتی ہے کہ وہ جلد سے جلد ARM کی تاریخ سے قبل 24 گھنٹے کے اندر اپنی رجسٹریشن کروائیں اور [info@firstequitymodaraba.com.pk](mailto:info@firstequitymodaraba.com.pk) پر معلومات اور مشورے بھی دے سکتے ہیں۔

## PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2020

Number of Certificate Holders	Certificate Holding From	To	Total Certificates Held
1849	1	100	102327
1016	101	500	259002
1084	501	1000	745212
686	1001	5000	1559586
145	5001	10000	1107355
50	10001	15000	654218
28	15001	20000	511480
19	20001	25000	428990
18	25001	30000	500567
5	30001	35000	165470
7	35001	40000	264158
5	40001	45000	214734
12	45001	50000	590928
7	50001	55000	367001
8	55001	60000	460872
2	60001	65000	122550
8	65001	70000	535555
4	70001	75000	294600
4	75001	80000	311717
2	80001	85000	164834
1	90001	95000	93010
3	95001	100000	300000
3	100001	105000	305987
3	105001	110000	322938
1	110001	115000	111000
3	115001	120000	354042
2	125001	130000	254375
2	130001	135000	269160
3	135001	140000	410380
2	145001	150000	297356
1	150001	155000	152812
2	155001	160000	319516
1	160001	165000	162745
1	170001	175000	171630
1	185001	190000	187500
1	190001	195000	191195
2	195001	200000	397194
1	200001	205000	202262
1	205001	210000	205994
1	220001	225000	221500
1	245001	250000	247000
3	250001	255000	756916
1	260001	265000	262500
1	265001	270000	267198
1	280001	285000	280835
1	285001	290000	289081
1	290001	295000	292214
1	305001	310000	308197
1	325001	330000	328500
1	340001	345000	343000
1	400001	405000	401000
1	410001	415000	411184
1	470001	475000	471538
1	500001	505000	501500
1	505001	510000	509750
1	635001	640000	636500
1	670001	675000	671550
1	845001	850000	848000
1	955001	960000	955500
1	995001	1000000	1000000
1	1320001	1325000	1321804
1	1570001	1575000	1571500
1	3020001	3025000	3023697
1	3235001	3240000	3236500
1	3475001	3480000	3478000
1	4675001	4680000	4680000
1	5240001	5245000	5244000
1	5805001	5810000	5809784
5024			52440000



**PATTERN OF HOLDING OF CERTIFICATES  
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2020**

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage %
DIRECTORS, CEO & CHILDREN	6	559156	1.0670
ASSOCIATE COMPANIES	11	12879035	24.5596
NIT & ICP	2	1700	0.0032
BANKS, DFI & NBFI	6	116487	0.2221
INSURANCE COMPANIES	4	1323409	2.5237
MUTUAL FUNDS	1	50	0.0001
GENERAL PUBLIC (LOCAL)	3798	24715334	47.1307
GENERAL PUBLIC (FOREIGN)	1152	169077	0.3224
OTHERS	41	12599892	24.0273
MODARABAS	3	75500	0.1440
<b>TOTAL</b>	<b>5024</b>	<b>52440000</b>	<b>100.0000</b>

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Nazia Maqbool	144,660
Nadeem Maqbool	405,356
Alizeh Bashir	9500

UNDER CERTIFICATE OF POSTING

*If undelivered please return to:-*  
THK Associates (Pvt) Ltd.  
**Registrars of First Equity Modaraba**  
1st Floor, 40-C, Block 6,  
PECHS, Karachi.