

First Equity

Modaraba



ANNUAL REPORT

2021

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

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

Risk Management Committee

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

Audit Committee

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

HR Committee

Mr. Nadeem Maqbool
Mr. 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

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

Auditors

Crowe Hussain Chaudhury & Co.
Chartered Accountants
F-4/2, Mustafa Avenue, Behind
The Forum, Block 9, Clifton
Karachi, Pakistan.
Tel: +92-21-35877806-10
www.crowe.pk

Bankers

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

Registrar

THK Associates (Pvt) Ltd.
Plot No. 32-C, Jami Commercial,
Street 2, D.H.A. Phase VII, Karachi,
Tel: +92-21-35310191-2-3
Email: sfc@thk.com.pk

General Counsel

Moshin M. Tayebaly & Co.
Advocates & Legal Consultants

FIRST EQUITY MODARABA

FIRST EQUITY MODARABA											
TEN YEARS AT A GLANCE											
BALANCE SHEET		June2012	June2013	June2014	June2015	June2016	June2017	June2018	June2019	June2020	June2021
Authorised Capital		600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Issued Subscribed & Paid-up-capital Reserves		524,400 81,834 (43,147)	524,400 110,463 (7,355)	524,400 115,035 (13,150)	524,400 117,529 (20,170)	524,400 119,794 (25,286)	524,400 120,843 (30,023)	524,400 123,347 (37,125)	524,400 117,485 (53,437)	524,400 (29,970)	524,400 107,686
Revaluation Reserve on Investment		1,832	2,092	1,556	2,655	2,934	2,864	4,046	4,252	4,551	5,711
Deferred Liabilities		8,784	6,139	11,857	24,657	7,940	62,860	12,283	8,333	9,730	22,456
Creditors, accrued expenses and other liabilities		-	-	19,665	8,914	6,817	31,464	-	-	-	26,220
Profit distribution		26,082 3,773	26,003 3,773	25,967	27,618	27,845	28,730	29,642	29,561	29,560	29,554
Unclaimed profit distribution		-	-	-	-	-	-	-	-	-	-
Provision for taxation		-	-	-	-	-	-	-	-	-	-
Tangible Assets		603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456	655,757	723,965
Intangible Assets		19,131	19,234	17,849	17,377	16,361	8,825	7,931	9,125	7,788	6,443
Investments		53,051 307,017 137,621	19,000 373,192 150,039	19,000 431,784 159,320	19,000 423,890 153,003	426,898 140,333	499,291 134,320	453,889 136,668	430,925 139,583	449,719 53,075	563,344 8,634
Morabaha/Musharaka Receivables		52,954 33,784	54,475 49,575	48,501 9,889	52,048 20,285	51,063 10,789	57,308 41,394	49,780 11,626	52,439 4,384	54,418 90,758	62,092 83,451
Advances, deposits prepayments and other receivables		-	-	-	-	-	-	-	-	-	-
Cash and Bank balance		603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456	655,757	723,965
PROFIT & LOSS ACCOUNT											
Income		30,393 (20,500)	53,722 (25,093)	46,938 (22,242)	34,684 (3,307)	30,680 (21,775) (1,511)	82,329 (34,290) (5,526)	17,246 (21,439)	19,814 (23,117)	16,691 (22,552)	44,880 (25,989)
Operating expenses		(989)								-	(1,889)
Modaraba company's Managementfee											(246)
Sales tax on Modaraba Management Fee											(335)
Worker Welfare Fund											-
Taxation		(2,226)	(2,226)	-	-	-	-	-	-	-	-
Profit/(Loss) for the year		6,678	28,629	24,696	11,368	9,093	42,513	(4,193)	(3,304)	(5,861)	16,421
Cash Distribution		-	-	3,75%	1,70%	1,30%	6,00%	-	-	-	5,00%
Earnings per certificate		0.127	0.546	0.471	0.217	0.173	0.81	(0.08)	(0.11)	0.31	0.31
Breakup value		10.74	11.97	12.33	12.03	11.93	12.52	11.71	11.33	11.67	12.70

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**ANNUAL SHARI'AH REVIEW REPORT OF
FIRST EQUITY MODARABA (FEM)
FOR THE YEAR ENDED JUNE 30, 2021**

Mufti Abdul Qadir

Shariah Advisor

Shahadatu Tahfeez-ul-Quran

MA (Islamic Studies), MA (Arabic)

Shahadat-ul-Aalamiyyah

PGD (Islamic Banking & Finance)

Shahadat-ul-Takhassus fil Fiqh wal Ifta

MIBF (Masters in Islamic Banking & Finance)

Ref: ASR - FEM - 21

Date: 04-10-21

**Annual Shari'ah Review Report of
First Equity Modaraba (FEM)
for the year ended June 30, 2021**

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, 2021 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 qualified the certification of Certified Shariah Advisor and Auditor (CSAA) from AAOIFI during the period.

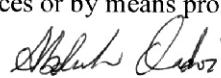
iii. The agreements entered into by the Modaraba are Shari'ah compliant and the financing / facility agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.

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

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

Charity:

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



ANNUAL SHARI'AH REVIEW REPORT OF FIRST EQUITY MODARABA (FEM) FOR THE YEAR ENDED JUNE 30, 2021

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Observations:

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

With reference to the settlement of the issues:

1. As regard to the investment in shares and securities, it has been confirmed that First Equity Modaraba has only Shari'ah Compliant Shares in its portfolio on the reporting date except the shares of companies whose trading is still suspended. On my query, the management has confirmed that such non Shari'ah compliant shares will be disposed off as soon as their trading become active.
2. It has been observed that the Modaraba has placed its funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks except some current accounts in conventional banks which were not closed as they were marked as "Dormant" as confirmed by the management.
3. As regards, Musharakah agreements, they are on the formats as approved by the Religious Board. During the year Musharakah Investment Agreements were settled as per the agreed ratio of profit distribution

Recommendations:

1. The Non Shariah Compliant suspended shares should be disposed of at earliest.
2. All accounts at conventional banks should be closed at earliest.
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 04, 2021



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

Name of Modaraba : **FIRST EQUITY MODARABA**

Year ending : **JUNE 30, 2021**

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

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

On behalf of the Board

Dated : October 04, 2021
 Karachi

Adil A Ghaffar
 Chief Executive Officer

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

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REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of the Premier Financial Services (Private) Limited, management company of **FIRST EQUITY MODARABA (FEM)**, are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and its wholly owned subsidiaries, Apex Financial Services (Pvt) Ltd, Capital Financial Services (Pvt) Ltd and Equity Textiles Limited for the year ended June 30, 2021.

Financial Results

FEM profit for the year amounted to Rs. 16.4 million as compared to loss of Rs (5.86) million for the last year translated in a earning per certificate of Rs. 0.31 as compared to Rs. (0.11) last year. The consolidated profit for the year is Rs 261 million as compare to loss Rs (47) million Break-up value per certificate amounted to Rs. 12.70 against Rs. 11.67 last year.

	Rupees
Income	31,044,309
Expenses	
Operating Expenses	(25,978,571)
Bank Charges	(10,126)
Operating profit	(25,988,697)
Other Income	5,055,612
	13,835,210
Profit for the year before Management Fee	18,890,822
Management Fee	(1,889,082)
SRB on Management Fee	(245,581)
Profit after management Fee	16,756,159
WWF	(335,123)
Net Profit for the Year	16,421,036
Profit per Certificate	<u>0.31</u>

Dividend Distribution

The directors are pleased to announce cash dividend of Rs. 0.50 (5.00%) per certificate { 2020: Rs. Nil (000%) } in its meeting held on October 04, 2021 for the year ended June 30, 2021.

The Certificate Share Transfer Book for the entitlement of profit distribution will remain closed from Saturday, December 11, 2021 to Monday , December 20, 2021 (both days inclusive)

Auditors Qualification

Auditors qualified their opinion based on non-compliance of International Financial Reporting Standard relating to adjusting cost to fair value of marketable securities and any profit / (loss) should be taken / charge to profit and loss account for the year amounting to Rs 38 million (2020: RS 3.7 million). Our principal stand for not accepting auditors' qualification is based on the fact that, firstly, we do not foresee that these remeasurements 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

In our last annual review, we mentioned change in the business strategy from lending to investment. As envisaged last year, that stock market will perform, therefore, Musharaka investments were matured and routed to stock market operations. Alhamdulillah, we are pleased to report that stock market operations were in line with our expectations and we were able to materialize substantial gains.

Similarly, all of our three wholly owned subsidiaries performed well and for the first time two of them reimbursed business management expenses amounting to Rs. 13 million, being operated and managed by FEM.

ETL's last year BMR investments alongwith various other factors, has yielded excellent results and ETL managed to earn profit of Rs. 225 m as compared to a loss of Rs. (38) m. This translates into an EPS of Rs 9.00 per shares as compared to loss per share of Rs (1.53) last year. ETL's book value also increased substantially to Rs. 46.55 from Rs. 27.76 last year. This year as well, ETL is planning for BMR investments of more than 200 million.

ETL has declared final cash dividend Rs. 0.75 (7.50%) for the financial year ended June 30 2021. The benefit of this announcement, being subsequent to the balance sheet date, will be appearing in the financial year ending June 30 2022.

Since January 2020, globally the Covid pandemic affected the economical and business conditions. Alhamdulillah, your Modaraba having a cautious approach did not had any major impact.

With rising current account deficit, rupee parity, increasing oil prices, inflation numbers and increase in policy rate, etc. we still believe that Pakistan Stock Exchange index, KSE-100 and KMI 30 looks attractive. Though Monetary Policy Rate increased by 25 bps to 7.25% but we believe that it will be in the vicinity 8.50%-9.00% during 2022.

It is very unfortunate that concept, vision and dream of 1980 whereby a home grown industry was developed in the name of Modarabas and which were given tax exemption through "Modaraba Ordinance, 1980" has been withdrawn through the Finance Bill 2021-2022. Long-term term visions curtailed for short-term benefits. This might be challenged in the Court of Law else it will bring adverse impact on the entire modaraba sector and we may see exits from the sector in the form of Conversion from Modarabas to Companies.

Shariah Advisor

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

Board of Directors & Committees

(i) total number of directors	
(a) Male	3
(b) Female	1
(ii) composition including the following,-	
(a) Independent director	1
(b) Non-executive director	2
(c) Executive director	1



REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

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

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

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

a)	<i>Audit Committee</i>	
	Mr Qaiser Ahmed Magoon	Chairman
	Ms Alizeh 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 throughout 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 facing by FEM;
- h. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2021, 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 2021 is annexed with the annual report 2021.

Key Operating and Financial Data - is annexed with the annual report 2021.

Staff Retirement Benefits

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

Auditors

As suggested by the audit committee and the consent given by the present auditors M/s Crowe Hussain Chaudhury & Co, Chartered Accountants, the Board has decided to recommend their name for the approval to the Registrar Modaraba

Acknowledgement

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

ڈائریکٹر زر پورٹ برائے مضاربہ کمپنی

- جیسا کہ کارپوریٹ گورننس کے ضابطہ کے تحت درکار ہے، متعین انتہائی صرفت کے ساتھ مطلع کرتے ہیں کہ۔
 - ☆ کمپنی کی انتظامیہ کی جانب سے تیار کئے گئے مالی بیانیں، شفافیت کے ساتھ، کمپنی کی موجودہ حالت، عملیاتی نتائج، نقدی کا بہاؤ اور ادارتی تبدیلیاں پیش کرتے ہیں۔
 - ☆ مضاربہ کی باضابطہ حسابی کتب برقرار رکھی گئی ہیں۔
 - ☆ مالی بیانیوں کی تیاری میں مناسب حاسبتی پالیسیاں تسلسل کے ساتھ لاگو کی جاتی رہی ہیں جبکہ حاسبتی تخمینہ کاری معقول اور داشمندانہ فیصلوں پرمنی ہوتی ہیں۔
 - ☆ مالی بیانیوں کی تیاری میں پاکستان میں قابل اطلاق میں الاقوامی مالیاتی روپورٹ معايارات (IFRS) کی پیروی کی گئی ہیں اور اس سے کسی انحراف کو سالانہ پورٹ میں معقول انداز میں بیان کیا گیا ہے۔
 - ☆ جملہ سال اندر و فیظم و نئی نظام موثر طرز سے ترتیب دیا گیا ہے اور مزید اصلاح کیلئے اس پر موثر انداز میں عملدرآمد و غرفانی جاری ہے۔
 - ☆ مضاربہ کی صلاحیت کے بارے میں اس میں کوئی شک نہیں کہ اس کا کاروبار جاری و ساری ہے؛ اور
 - ☆ اینٹی منی لائزرنگ اور سرک میجنٹ پالیسی کے حوالے سے ایک مربوط انصبائی اور غرفانی کا نظام وضع کیا گیا ہے تاکہ مضاربہ کو ممکنہ طور پر درپیش مختلف قسم کے خطرات کی نشاندہی کی جاسکے، ان کا انتظام و انصرام کیا جاسکے اور پورٹ کی جاسکے۔
 - ☆ لیکن، ڈیوٹیز و چارجز وغیرہ کی مد میں کوئی قانونی ادائیگی 30 جون 2021 تک واجب ادنیں ہے ماسوئے اس کے جھے اس کے مالیاتی گوشواروں میں ظاہر کیا گیا ہو؛ اور
 - ☆ اسٹاک ایچینج کے مندرج خصوبات میں تفصیلات کے مطابق کارپوریٹ گورننس کی بہترین عملدرآمدی کے سلسلے میں کوئی بنیادی انحراف نہیں کیا گیا ہے۔

حصہ داری کا خاکہ:
30 جون 2021 تک سرٹیفیکیٹس کا خاکہ سالانہ پورٹ 2021 کے ساتھ مسلک ہے۔

کلیدی عل کاری اور مالی اعداد و شمار:
سالانہ پورٹ 2021 کے ساتھ مسلک ہے۔

عملہ کی سبکدوشی پر فائدے:
مضاربہ کے خدمتی ضابطے اپنے مستقل ملازمین کیلئے بے سرما یہ وظیفہ اسکیم فراہم کرتے ہیں۔

محاسبت کار:
محاسبہ کیلئی کی جو یہ اور موجودہ محاسبت کارمیسرز کرو و حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی طرف سے دی گئی رضامندی کے تحت بورڈ نے ان ان کے نام کی منظوری کے لئے رجسٹر ارمضاربہ کو سفارش کرنے کا فیصلہ کیا ہے۔

تلیبات:
ہم، اپنے ملازمین کی تندری کے ساتھ کی گئی انٹھک محنت کو تسلیم کرتے ہیں اور اپنے کاروباری قربات داروں، گاہوں 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 04، 2021ء

عادل اے غفار
چیف ایگزیکیوٹیو آفیسر



ڈائریکٹر رزرو پورٹ برائے مضاربہ کمپنی

بورڈ آف ڈائریکٹرز اور کمیٹیاں:

(۱) ڈائریکٹر کی کل تعداد

- | | |
|---|--------------------|
| 3 | (الف) مرد |
| 1 | (ب) عورت |
| | تکمیل درج ذیل ہے:- |
- (۲)
- | | |
|---|------------------------------|
| 1 | (الف) آزاد ڈائریکٹر |
| 2 | (ب) نان ایگزیکیوٹیو ڈائریکٹر |
| 1 | (ج) ایگزیکیوٹیو ڈائریکٹر |

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

سلسلہ نمبر	نام اداکیں مجلس	اجلاسوں میں حاضری
1	جناب ندیم مقبول	نان ایگزیکیوٹیو ڈائریکٹر 4 میں سے 4
2	محترمہ علیزے بشیر	نان ایگزیکیوٹیو ڈائریکٹر 4 میں سے 4
3	جناب قیصر احمد گون	آزاد ڈائریکٹر 4 میں سے 4
4	جناب عادل اے غفار	ایگزیکیوٹیو ڈائریکٹر 4 میں سے 4

بورڈ نے ممبر ان پر مشتمل درج ذیل کمیٹیاں تھکلیل دی ہیں:

(الف) آڈٹ کمیٹی

جناب قیصر احمد گون
چیئرمین

محترمہ علیزے بشیر
ممبر

جناب ندیم مقبول
ممبر

ہیومن ریسورس اینڈ ریپورٹریشن کمیٹی
(ب)

جناب ندیم مقبول
چیئرمین

جناب عادل غفار
ممبر

جناب قیصر احمد گون
ممبر

رسک میجنٹ کمیٹی
(ج)

جناب ندیم مقبول
چیئرمین

جناب عادل اے غفار
ممبر

جناب قیصر احمد گون
ممبر

کار پوریٹ گورننس کے ضابطے:

جیسا کہ پچھلے سالوں کی روپورٹ میں بیان کیا گیا ہے کہ بورڈ نے سیکیورٹیز اینڈ ایچیجن کمیشن آف پاکستان کی جانب سے جاری کردہ ہدایات کے مطابق کار پوریٹ گورننس کو اختیار کرنے کا فیصلہ کیا ہے اور اسے مندرج ضابطوں کا حصہ بنایا ہے۔

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

ڈائریکٹر زر پورٹ برائے مضاربہ کمپنی

اصل موقف یہ ہے کہ پہلا، ہم مستقبل میں ان نقصانات کو مستقل نہیں سمجھتے اور دوسرا ہماری امنڈسٹری اس تصور پر قائم کی گئی تھی کہ سالانہ بنیادوں پر جو کچھ کمایا جائے اسے تقسیم کیا جائے۔ ہمارے ریکولیٹرز نے یہ لازم بنایا ہے کہ انکمپنیکس اسٹشی کلیم کرنے کیلئے مضاربہ اپنے سڑیکیٹ رکھنے والوں کو فائدہ ویدنڈ کی صورت میں سال کیلئے نفع کا 90 فیصد تقسیم کرے گی۔ لہذا فیر ویبکو لاگت میں لگانا یا تو مکانہ سرمایہ کاری کے نفع کے مساوی ہو گیا پھر لاگت کو وصول کرنے کے برابر ہو گا۔

ہماری کارکردگی اور مستقبل کے امکانات:

اپنے آخری سالانہ جائزے میں، ہم نے قرض دینے سے لے کر سرمایہ کاری تک کارروباری حکمت عملی میں تبدیلی کا ذکر کیا۔ جیسا کہ گذشتہ سال تصور کیا گیا تھا کہ اشاک مارکیٹ کارکردگی دکھائے گی، اس لیے مشارکہ کی سرمایہ کاری میتھکم رہی اور اشاك مارکیٹ آپریشنز کی جانب رہی۔ الحمد للہ، ہمیں یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ اشاك مارکیٹ آپریشنز ہماری توقعات کے مطابق رہے اور ہم خاطر خواہ فوائد حاصل کرنے میں کامیاب رہے۔

اسی طرح، ہماری یوں مکمل ملکیتی ذیلی کمپنیوں نے اچھی کارکردگی کا مظاہرہ کیا اور پہلی بار ان میں سے دونے مبلغ 13 میلن روپے کے بنس میجنٹ اخراجات کی ادائیگی کی، جو FEM کے زیر انتظام چلائے جا رہے ہیں۔

ETL کی گذشتہ سال کی BMR سرمایہ کاری نے دیگر مختلف عوامل کے ساتھ شاندار نتائج حاصل کیے اور ETL گذشتہ سال کے نقصان مبلغ (38) میلن روپے کے مقابلے میں مبلغ 225 میلن روپے کا منافع حاصل کرنے میں کامیاب رہا۔ جس کی تشریح کی جائے تو یہ گذشتہ سال کے فی حصہ خسارہ مبلغ (1.53) روپے کے مقابلے میں مبلغ 9.00 روپے فی حصہ ہے۔ ETL کی بک ویبکو ہمی گذشتہ سال کے مبلغ 27.76 روپے سے بڑھ کر مبلغ 46.55 روپے ہو گئی ہے۔ اس سال بھی ETL، مبلغ 200 میلن روپے سے زائد کی BMR سرمایہ کاری کی منصوبہ بندی کر رہا ہے۔

ETL نے 30 جون 2021 کے اختتامی مالیاتی سال کیلئے مبلغ 0.75 روپے (7.50%) کے حتیٰ منافع منقسمہ کا اعلان کیا ہے۔ بیلنس شیٹ کی تاریخ کے بعد ہونے والے اس اعلان کا فائدہ 30 جون 2022 کو ختم ہونے والے مالی سال میں ظاہر ہو گا۔

جنوری 2020 سے، عالمی سطح پر کورونا وبا نے معیشت اور کارروباری امور کو متاثر کیا۔ الحمد للہ، آپ کے مضاربہ نے مقاطعہ انداز اپنایا اور اس پر کوئی بڑا اثر نہیں پڑا۔

بڑھتے ہوئے کربن اکاؤنٹ خسارے، روپے کی برابری، تیل کی قیمتوں میں اضافہ، افراط اور پالیسی ریٹ میں اضافہ وغیرہ کے ساتھ ہم اب بھی یقین رکھتے ہیں کہ پاکستان اشاك ایکچین امنڈسٹریکس، KSE-100 اور 30 KMI پر بڑھتا ہوا نظر آ رہا ہے۔ اگرچہ مانیٹری پالیسی کی شرح 25 سے بڑھ کر 7.25% فیصد ہو گئی ہے لیکن ہمیں یقین ہے کہ یہ 2022 کے دوران 8.50% فیصد سے 9.00% فیصد کے آس پاس ہو گی۔

انہائی افسوس کی بات ہے کہ 1980 کا تصور، نظریہ اور خواب جس کے تحت مضاربہ کے نام پر ہوم گراؤنڈ امنڈسٹری بنائی گئی تھی اور جسے ”مضاربہ آرڈیننس 1980“ کے ذریعے ٹیکس پر چھوٹ دی گئی تھی، اسے فانس بل 2022-2021 کے ذریعے واپس لے لیا گیا ہے۔ قلیل مدتی فوائد کے لیے طویل مدتی تصورات کو کم کیا گیا۔ اسے عدالت میں چیخ کیا جاسکتا ہے بصورت دیگر یہ پورے مضاربہ سیکٹر پر منفی اثرات مرتب کرے گا اور ہم اس سیکٹر سے مضاربہ سے کمپنیوں میں تبدیلی کی صورت میں نکل سکتے ہیں۔

شروعی مشیر:

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



ڈائریکٹرز رپورٹ برائے مضاربہ کمپنی

ڈائریکٹرز رپورٹ برائے مضاربہ کمپنی

فرست ایکیوٹیوی مضاربہ کی انتظامی کمپنی پر یونیورسٹی فناشل سروز (پرائیویٹ) لمبینڈ کے ڈائریکٹرز اپنی رپورٹ اور مضاربہ کے آڈٹ شدہ مالیاتی بیانے بعده مضاربہ اور اس کی مکمل ملکیتی ادارے ایکیوٹیوی میکسیکل لمبینڈ، کمپیکل فناشل سروز (پرائیویٹ) لمبینڈ اور ایکس فناشل سروز (پرائیویٹ) لمبینڈ کے مجموعی مالیاتی بیانے برائے سال اختتام پذیر 30 جون 2021 پیش کرتے ہوئے مسربت محسوس کرتے ہیں۔

مالیاتی تاثر:

گذشتہ سال نقصان مبلغ (5.86) ملین روپے کے مقابلے میں اس سال منافع مبلغ 16.4 ملین درپیش ہوا، جس کی تشریح کی جائے تو گذشتہ سال فی حصہ خسارہ مبلغ (0.11) روپے کے مقابلے میں اس سال فی حصہ آمدنی مبلغ 0.31 روپے بنی ہے۔ گذشتہ سال کے خسارہ مبلغ (47) ملین روپے کے مقابلے میں دوران سال مبلغ 261 ملین روپے کا مجموعی منافع حاصل ہوا جو کہ گذشتہ سال کے مبلغ 11.67 روپے کے مقابلے میں مبلغ 12.70 روپے کا فی حصہ بریک ویلوچا۔

روپے میں	
31,044,309	آمدن
(25,978,571)	اخر اجات
(10,126)	عملیاتی اخراجات
<u>(25,988,697)</u>	بنیک چار جز
5,055,612	عملیاتی منافع
<u>13,835,210</u>	دیگر آمدن
18,890,822	مینجنٹ فیس سے قبل سال کا منافع
(1,889,082)	مینجنٹ فیس
<u>(245,581)</u>	مینجنٹ فیس پر SRB
16,756,159	بعد از منافع مینجنٹ فیس
<u>(335,123)</u>	WWF
<u>16,421,036</u>	خالص منافع برائے سال
0.31	فی حصہ منافع

مقسمہ/ڈیویڈنڈ کی تقسیم:

ڈائریکٹرز نے 4 اکتوبر 2021ء کے اجلاس میں اختتام پذیر سال 30 جون 2021 کیلئے فی حصہ مبلغ 0.50 روپے (5.00% نیصد) کے ڈیویڈنڈ کا اعلان کیا ہے {2020: مبلغ صفر (0.00%)}۔

نفع کی تقسیم کیلئے سٹریکٹ شیئر ٹرانسفر بک ہفتہ مورخہ 11 دسمبر 2021 سے پیر مورخہ 20 دسمبر 2021 تک (بشمل دونوں ایام) بند رہے گی۔

آڈیٹر کا تبصرہ:

آڈیٹر نے رائے زنی کی ہے کہ قابل خرید و فروخت سیکیورٹیز کی فیبر و لیوکی لائلگت کا حساب کتاب میں الاقوامی اکاؤنٹنگ معیار کی عدم تعییل کی بنیاد پر ہے اور کسی بھی نفع/نقصان کو اس سال کے نفع/نقصان مبلغ 38 ملین (2020 میں مبلغ 3.7 ملین) کی مدد میں وصول کیا جانا چاہئے۔ ہمارا آڈیٹر کے تبصرہ کو قبول نہ کرنے کیلئے

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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 Board of Directors of Premier Financial Services (Private) Limited, the Modaraba Management company of First Equity Modaraba for the year ended June 30, 2021 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 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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, 2021.

**Crowe Hussain Chaudhury Co.
Chartered Accountants**

Karachi.
Dated: October 04, 2021



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST EQUITY MODARABA** ("the Modaraba") as at June 30, 2021 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 qualified opinion and, after due verification, we report that:

- (a) The Modaraba has recorded unrealized remeasurement gain of Rs. 37.366 million , in respect of investment in equity securities classified as 'financial asset at fair value through profit and loss', in other comprehensive income instead of profit and loss account as required under IFRS 9.
Had the Modaraba recorded the unrealized gain to the profit and loss account, its profit for the year would have been increased by Rs.37.366 million and other comprehensive income would have been decreased by Rs.37.366 million .
Except for the matter discussed in paragraph (a) above, in our opinion, proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) 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 account and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) 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 conform with 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 the Modaraba's affairs as at June 30, 2021 and of the profit and loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

Other matter

The financial statements of the Modaraba for the year ended June 30, 2020 were audited by another firm of Chartered Accountants, whose report dated October 05, 2020 expressed a qualified opinion on such financial statements for recording of unrealized gain on investments in equity securities classified as 'financial asset at fair value through profit and loss' in other comprehensive income instead of profit and loss account as required by IFRS 9.

Crowe Hussain Chaudhury & Co.

Chartered Accountants

Engagement Partner:

Imran Shaikh

Place: Karachi

Date: October 04, 2021

**BALANCE SHEET
AS AT JUNE 30, 2021**

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	Note	2021 Rupees	(Restated) 2020 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2020: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000
Certificate holders' equity			
Issued, subscribed and paid-up certificate capital	7	524,400,000	524,400,000
Reserves	8	133,906,238	117,485,202
Remeasurement of defined benefit liability - Actuarial gain		738,541	1,135,501
Unrealised gain / loss on remeasurement of investment		7,200,492	(31,105,481)
<i>Total certificates holders' equity</i>		666,245,271	611,915,222
<i>Non-current liabilities</i>			
Deferred liability	9	5,710,591	4,551,260
Security deposit		-	200,000
<i>Total non-current liabilities</i>		5,710,591	4,751,260
<i>Current liabilities</i>			
Creditors, accrued and other liabilities	10	22,455,658	9,530,468
Unclaimed profit distribution		29,553,525	29,560,348
<i>Total current liabilities</i>		52,009,183	39,090,816
<i>Total equity and liabilities</i>		723,965,045	655,757,298

Contingencies and commitments

11



**BALANCE SHEET
AS AT JUNE 30, 2021**

		Note	2021 Rupees	(Restated) 2020 Rupees
<i>Assets</i>				
<i>Non-Current Assets</i>				
Fixed assets				
-tangible	12	5,211,713	6,436,337	
-intangible	13	-	-	
Investment property	14	1,231,667	1,351,667	
Long term investments	15	402,194,798	401,254,417	
Advances-considered good		2,510,000	2,510,000	
Deposits		1,750,000	1,750,000	
<i>Total Non-Current Assets</i>		412,898,178	413,320,421	
<i>Current Assets</i>				
Morabaha/Musharaka receivables-secured	16	8,634,174	53,074,682	
Short term investments	17	161,149,390	48,464,418	
Advances - considered Good	18	11,374,403	10,551,064	
Trade deposits and prepayments	19	16,382,098	15,179,527	
Other receivables	20	30,075,414	24,426,969	
Bank balances	21	83,451,388	90,758,217	
<i>Total Current Assets</i>		311,066,867	242,454,877	
<i>Total Assets</i>		723,965,045	655,757,298	

The annexed notes 1 to 43 form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021**

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	Note	2021 Rupees	2020 Rupees
Income	22	31,044,309	16,457,324
Expenses			
Operating expenses	23	(25,978,571)	(22,548,898)
Financial charges	24	(10,126)	(3,579)
		(25,988,697)	(22,552,477)
Operating Profit / (loss)		5,055,612	(6,095,152)
Other income	25	13,835,210	233,842
Modaraba Management Company's Remuneration	26	(1,889,082)	-
Sales tax on Modaraba Management			-
Company's Remuneration		(245,581)	-
Provision for Sindh Workers' Welfare Fund	27	(335,123)	-
Profit / (loss) before taxation		16,421,036	(5,861,310)
Taxation	28	-	-
<i>Net Profit / (Loss) for the year</i>		16,421,036	(5,861,310)
Earnings / (loss) per certificate - basic and diluted	29	0.31	(0.11)

The annexed notes 1 to 43 form an integral part of these financial statements.

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

Qazi Obaid Ullah
Chief Financial Officer

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

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, 2021

	2021 Rupees	2020 Rupees
Profit / (Loss) for the year	16,421,036	(5,861,310)
Other comprehensive Income		
Items that will be subsequently reclassified		
Unrealized gain on remeasurement of investments	30,693,616	488,409
Gain realized on disposal of investments	6,671,976	3,222,776
	37,365,592	3,711,185
- Items that will not be subsequently reclassified:		
Remeasurement of defined benefit liability	(396,960)	689,061
Unrealized gain on remeasurement of investment held at 'fair value through other comprehensive income'	940,381	19,066,585
Other comprehensive Income	37,909,013	23,466,831
Total comprehensive for the year	54,330,049	17,605,522

The annexed notes 1 to 43 form an integral part of these financial statements.

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

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	Note	2021 Rupees	2020 Rupees
<i>Cash generated from operating activities</i>			
Profit / (Loss) before taxation		16,421,036	(5,861,310)
<i>Adjustments for non-cash and other items:</i>			
Depreciation	11 & 13	1,592,238	1,581,968
Provision for gratuity	8	762,371	1,017,777
Gain on sale of fixed assets	25	(17,117)	-
Dividend income	22	(2,797,704)	(1,314,658)
		(460,212)	1,285,088
Cash generated from / (used in) operations before working capital changes		15,960,824	(4,576,222)
<i>Working Capital changes:</i>			
(Increase) / decrease in operating assets			
Morabaha/Musharaka receivables-secured		44,440,508	86,507,969
Advances		(116,401)	109,527
Trade deposits and prepayments		(1,202,571)	76,151
Other receivables		(5,648,445)	(1,471,732)
		37,473,090	85,221,915
<i>Increase in operating liabilities</i>			
Creditors, accrued and other liabilities		12,925,190	1,397,340
		12,925,190	1,397,340
Staff retirement benefit - gratuity paid		-	(29,250)
Dividend paid		(6,823)	(866)
Tax paid		(706,941)	(692,669)
Net cash generated from operating activities		65,645,342	81,320,248
Cash flows from investing activities			
Investments		(75,319,377)	3,984,214
Dividend received		2,797,704	1,314,658
Purchase of tangible assets		(271,500)	(244,515)
Payment against security deposit		(200,000)	-
Proceeds from sale of fixed assets		41,001	-
Net cash generated from investing activities		(72,952,172)	5,054,357
Net increase / (decrease) in cash and cash equivalents		(7,306,829)	86,374,605
Cash and cash equivalents at beginning of the year		90,758,217	4,383,612
Cash and cash equivalents at the end of the year	21	83,451,388	90,758,217

The annexed notes 1 to 43 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 CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

Description	Reserves						Remeasur- ement of defined benefit liability	Unrealized loss on remeasur- ement of investments	Total Reserves
	Certificate Capital	Certificate Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves			
Rupees									
Balance as at 01, 2019	524,400,000	161,050,000	131,100,000	27,120,000	(195,923,488)	123,346,512	446,440	(53,883,253)	594,309,699
Loss for the year ended June 30, 2020	-	-	-	-	(5,861,310)	(5,861,310)	-	-	(5,861,310)
Other comprehensive income for the year - Restated	-	-	-	-	-	-	689,061	22,777,772	23,466,833
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	524,400,000	161,050,000	131,100,000	27,120,000	(201,784,798)	117,485,202	1,135,501	(31,105,481)	611,915,222
Profit for the year ended June 30, 2021	-	-	-	-	16,421,036	16,421,036	-	-	16,421,036
Other comprehensive income for the year	-	-	-	-	-	-	(396,960)	38,305,973	37,909,013
Transfer to statutory reserve	-	3,284,210	-	-	(3,284,210)	-	-	-	-
Profit distribution for the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	524,400,000	164,334,210	131,100,000	27,120,000	(188,647,972)	133,906,238	738,541	7,200,492	666,245,271

FIRST EQUITY MODARABA

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

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

The annexed notes 1 to 43 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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1 LEGAL STATUS AND NATURE OF THE BUSINESS

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

The Modaraba is a perpetual, multipurpose modaraba and is able to undertake a variety of fund and fee based activities. These include trading, manufacturing, equity investment and their financing and facilitation. The Modaraba is a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Pakistan Stock Exchange Limited.

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

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

2 DISCLOSURE OF IMPACT OF COVID - 19 PANDEMIC ON FINANCIAL STATEMENTS OF THE MODARABA

Following the financial year that ended on June 30, 2020, increase in the COVID positive cases have been observed in the country and worldwide at different time intervals. At balance sheet date of these financial statements and later on, the infection rate is on increase in the country and as a consequence, the government has formally tighten the implementation of COVID related standard operating procedures along with enforcement of some other strict measures. However, there is no alarming indication towards infection spread at large scale leading towards economic and business lockdown in the country.

The Modaraba is closely monitoring the situation and is of the view that adequate controls business continuity plans, remote working capabilities and procedures are in place that ensures the safety and security of the staff and uninterrupted service to the customers. Further, the Modaraba has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Modaraba has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Modaraba.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Significant accounting estimates and judgments

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

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

	Note
a) Useful life of depreciable assets/amortizable assets	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

4 STANDARDS, IFRIC INTERPRETATIONS AND AMMENDENTS WHICH BECAME EFFECTIVE DURING THE YEAR

4.1 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Modaraba

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after April 1, 2021 but are considered not to be relevant or to have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements, except for the following:

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2020 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations and are therefore not presented here.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Modaraba

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after April 1, 2021 but are considered not to be relevant or to have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements, except for the following:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IAS 1 - Presentation of financial statements	April 01, 2021

(a) Classification of liabilities - Amendment to IAS 1

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and
- Settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments

The management has assessed that the impact of this amendment is not expected to be significant.

(b) Disclosure of accounting policies and definition of accounting estimates - Amendment to IAS 1 and IAS 8

The IASB amended IAS 1, 'Presentation of Financial Statements', to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The management has assessed that the impact of this amendment is not expected to be significant.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14 - Regulatory Deferral Accounts

IFRS 17 - Insurance Contracts

The Modaraba expects that above new standards will not have any material impact on the Modaraba's financial statements in the period of application.

5 SIGNIFICANT ACCOUNTING POLICIES

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

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 capitalized only when it meets the recognition criteria. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

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

5.1.2 Intangible

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

5.2 Investment property

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

5.3 Deferred cost and amortization

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

5.4 Financial Instruments

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

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

5.4.1 Financial assets

Initial Measurement

The Modaraba classifies its financial assets into following three categories:

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

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

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.
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 Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

5.4.2 Financial liabilities

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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- (c) Brokerage commission and fee income is recognized when accrued.
- (d) Profit on PLS deposits is recognized on an accrual basis.
- (e) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.
- (f) Unrealized income is suspended, where necessary, on non-performing assets (including non-performing net investment in ijarah and murabaha and musharaka finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP. Unrealized suspense income is recognized in profit and loss account on receipt basis.

5.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits, after appropriation to statutory reserves as required under Modaraba Regulations, are distributed to the certificate holders of the Modaraba.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

5.7 Foreign currency translation

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

5.8 Retirement benefits

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

5.9 Offsetting of financial assets and financial liabilities

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

5.10 Provisions

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

5.11 Profit distribution to certificates holders

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.12 Impairment of Non-financial assets

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 Earnings per certificate

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

5.15 Related party transactions

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

5.16 Cash and cash equivalents

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

5.17 Functional and reporting currency

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

5.18 Capital Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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6 COMPLIANCE WITH IFRS 9

As referred in note 15.2.2 to the financial statements, Modaraba was previously carrying investments in unlisted equity securities at cost which is required to be measured at fair value, based on its business model, as per the requirements of IFRS-09 "Financial Instruments". During the year, Modaraba has complied with the requirement by measuring the equity securities at 'Fair Value Through Other Comprehensive Income' according to its business model by taking the effect retrospectively. The above change in the accounting policy has been applied retrospectively and comparative information have been restated in accordance with the requirement of IFRS-09 and IAS 8. Due to the above change, the Modaraba has restated the comparative figures in accordance with requirement of IAS 1 – Presentation of Financial Statements (Revised) (IAS 1).

Since, the application of IFRS-09 came into effect for periods ending on and after July 01, 2019, therefore, the third balance sheet statement presentation is not applicable.

Following are the effects of the correction in the current year financial statements;

	As per audited financial statements	Effect on prior period	Restated amounts			
	----- Rupees -----					
Effects of prior period on financial statements for the year ended June 30, 2020						
<i>Restatement in Balance sheet</i>						
Long term investments	382,187,831	19,066,585	401,254,416			
Unrealized loss on remeasurement of investment	(50,172,068)	19,066,585	(31,105,483)			

Restatement in Statement of Comprehensive Income

- Items that will not be subsequently reclassified:
Unrealized gain on remeasurement of investment held at FVTOCI

Restatement in Statement of Changes in Equity

Unrealized gain on remeasurement of investments	3,711,187	19,066,585	22,777,772
---	-----------	------------	------------

7 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2021	2020	2021	2020
--- Number of certificates ---		----- 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
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52,440,000	52,440,000	524,400,000	524,400,000
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

7.1 Certificates held by the management company: 5,532,296 (2020: 5,532,296).

	Note	2021	2020
		-----	-----
8 RESERVES			
Capital reserve			
Statutory reserve		164,334,210	161,050,000
Certificate premium account		131,100,000	131,100,000
Revenue reserve			
Accumulated loss		(188,647,972)	(201,784,798)
General reserve		27,120,000	27,120,000
		133,906,238	117,485,202

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

9 DEFERRED LIABILITY

Staff gratuity	9.2	5,710,591	4,551,260
		5,710,591	4,551,260

9.1 General description

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

Annual provision is based on actuarial valuation, which was carried out as at June 30, 2021 on September 10 , 2021 using the Projected Unit Method.

9.2 Amount recognized in the balance sheet are as follows:

	Note	2021	2020
		-----	-----
Present value of defined benefit obligation		5,710,591	4,551,260
Total defined benefit		5,710,591	4,551,260

9.3 Movement in defined benefit obligation

Opening balance	4,551,260	4,251,794
Charged for the defined benefit plan		
Current service cost	375,514	413,980
Net interest	386,857	603,797
Actuarial loss / (gain) on obligation	396,960	(689,061)
	1,159,331	328,716

Remeasurement of defined benefit liability

Benefit paid	-	(29,250)
Closing balance	5,710,591	4,551,260

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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9.4 Actuarial assumptions	----- Rates per annum -----	
Valuation discount rate	10.00%	8.50%
Salary increase rate -short term (period of next one year)	10.00%	8.50%
Salary increase rate- long term	10.00%	8.50%

The expected maturity analysis of undiscounted retirement benefit obligation is:

	2 0 2 1
	Un-discounted payments
	----- Rupees -----
2022	140,971
2023	155,720
2024	174,123
2025	193,969
2026	215,866
2027 and onwards	42,277,891

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

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

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

	Impact on defined benefit obligation		
	Change in assumptions	Increase	Decrease
	---- (%) ----	----- Rupees -----	
Discount rate	1%	5,246,884	6,240,243
Salary growth rate	1%	6,240,272	5,238,302

The expected gratuity expense for the next year amounted to Rs. 1.008 million. This is the amount by which defined benefit liability is expected to increase.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Salary risk

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

Mortality risk

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

Withdrawal risk

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

	Note	2 0 2 1	2 0 2 0
		Rupees	Rupees
10 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Modaraba Management Remuneration payable	26	1,889,082	-
Sales tax on Modaraba Management Remuneration payable	26	245,581	-
Provision for Sindh Workers' Welfare Fund	27	335,123	-
Payable to clients		15,628,272	2,733,586
Accrued expenses		4,124,932	4,880,283
Charity payable	10.1	-	5,375
Other liabilities	10.2	232,668	1,911,224
		22,455,658	9,530,468

10.1 Charity payable - reconciliation

Opening balance	5,375	6,875
Disbursements	(5,375)	(1,500)
Closing balance	-	5,375

10.2 Other liabilities include Rs. 232,668 (2020: Rs. 196,585) payable to Premier Financial Services (Private) Limited.

11 CONTINGENCIES AND COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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12 TANGIBLE

Particulars	2021							Rate	
	Cost		Accumulated depreciation			Book value as at June 30, 2021			
	As at July 01, 2020	Addition / (deletion) during the year	As at June 30, 2021	As at July 01, 2020	Charged during the year / (disposal)				
	Rupees -----							(%)	
Office premises	10,380,294	-	10,380,294	6,359,888	519,019	6,878,907	3,501,385	5	
Furniture & fixtures	105,059	-	105,059	105,057	-	105,057	2	20	
Motor vehicles	4,034,135	-	4,034,135	1,914,240	806,827	2,721,067	1,313,068	20	
Computers	656,248	14,000	670,248	561,843	46,882	608,725	61,523	33	
Office equipments	1,002,745	257,500	987,245	801,116	99,510	651,510	335,735	20	
	(273,000)				(249,116)				
Total	16,178,481	271,500	16,176,981	9,742,144	1,472,238	10,965,266	5,211,713		
	(273,000)			(249,116)					

Particulars	2020							Rate	
	Cost		Accumulated depreciation			Book value as at June 30, 2020			
	As at July 01, 2019	Addition / (deletion) during the year	As at June 30, 2020	As at July 01, 2019	Charged during the year / (disposal)				
	Rupees -----							(%)	
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	
Computers	624,733	95,015	656,248	566,508	58,835	561,843	94,405	33	
Office equipments	853,245	149,500	1,002,745	723,827	77,289	801,116	201,629	20	
	(378,500)			(378,500)					
	(63,500)			(63,500)					
Total	16,375,966	244,515	16,178,481	8,722,176	1,461,968	9,742,144	6,436,337		
	(442,000)			(442,000)					

Note **2021** **Rupees** **2020**

13 INTANGIBLE

Cost	13.1	10,000,000	10,000,000
Advance against TREC		(10,000,000)	(10,000,000)
		-----	-----

13.1 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

14 INVESTMENT PROPERTY

Particulars	2021							Rate (%)	
	Cost		Accumulated depreciation			Book value as at June 30, 2021			
	As at July 01, 2020	Addition / (deletion) during the year	As at June 30, 2021	As at July 01, 2020	Charged during the year / (disposal)				
	Rupees -----								
Office premises	2,400,000	-	2,400,000	1,048,333	120,000	1,168,333	1,231,667	5	
	2,400,000	-	2,400,000	1,048,333	120,000	1,168,333	1,231,667		

Particulars	2020							Rate (%)	
	Cost		Accumulated depreciation			Book value as at June 30, 2020			
	As at July 01, 2019	Addition / (deletion) during the year	As at June 30, 2020	As at July 01, 2019	Charged during the year / (disposal)				
	Rupees -----								
Office premises	2,400,000	-	2,400,000	928,333	120,000	1,048,333	1,351,667	5	
	2,400,000	-	2,400,000	928,333	120,000	1,048,333	1,351,667		

14.1 The fair value of investment property as at June 30, 2021 as per valuation report of independent valuer is Rs. 5,891,600 million.

15 LONG TERM INVESTMENT

	Note	(Restated) 2021 Rupees	2020
Investment in subsidiaries	15.1	350,000,000	350,000,000
		350,000,000	350,000,000
Investment in equity securities			
- held at fair value through profit and loss			
Listed securities	15.2.1	-	41,800
- held at fair value through other comprehensive income			
Un-listed securities	15.2.2	52,194,798	51,212,617
		52,194,798	51,254,417
		402,194,798	401,254,417

15.1 Investment in subsidiaries

2021	2020		(Restated) 2021 Rupees	2020
500,000	500,000	Capital Financial Services (Private) Limited	15.1.1	50,000,000
500,000	500,000	Apex Financial Services (Private) Limited	15.1.1	50,000,000
25,000,000	25,000,000	Equity Textiles Limited	15.1.2	250,000,000
26,000,000	26,000,000		350,000,000	350,000,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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- 15.1.1** The Capital Financial Services (Private) Limited (CFSL) and Apex Financial Services (Private) Limited (AFSL) are wholly owned subsidiaries of the Modaraba having ordinary shares per unit of Rs. 100 each. Net assets value per share of CFSL & AFSL is Rs. 87.47 (2020: Rs. 50.93) and Rs. 85.23 (2020: 57.15) as per financial statements as at June 30, 2021 audited by Crowe Hussain Chaudhry & Co, Chartered Accountants.
- 15.1.2** Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 46.55 (2020: Rs. 27.75) as per financial statements as at June 30, 2021 audited by BDO Ebrahim & Company, Chartered Accountants.

15.2 Investment in equity securities

15.2.1 Listed securities

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

2 0 2 1	2 0 2 0	Name of investee	Note	2 0 2 1	2 0 2 0
----- Numbers -----	----- Rupees -----			-----	-----
Financial services					
-	22,000	Javed Omer Vohra & Company Limited	15.2.2.4	-	41,800
-	22,000			-	41,800

15.2.2 Unlisted securities

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

2 0 2 1	2 0 2 0	Name of investee	Note	2 0 2 1	2 0 2 0
----- Numbers -----	----- Rupees -----			-----	-----
(Restated)					
50,000	50,000	Sapphire Power Generation Limited	15.2.2.1	4,358,000	4,328,000
3,034,603	3,034,603	ISE Towers REIT Management Company Limited	15.2.2.2	47,794,997	46,884,616
78,150	78,150	Callmate Telips Telecom Limited	15.2.2.3	1	1
22,000	-	Javed Omer Vohra & Company Limited	15.2.2.4	41,800	-
3,184,753	3,162,753			52,194,798	51,212,617

- 15.2.2.1** Net assets value per share of Sapphire Power Generation Limited is Rs. 87.16 (2019: Rs. 86.56) as per financial statements as at June 30, 2020 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.
- 15.2.2.2** Net assets value per share of ISE Towers REIT Management Company Limited Rs. 15.75 (June 30, 2020:Rs. 15.45) as per financial statements as at March 31, 2021 audited by BDO Ebrahim & Company, Chartered Accountants.
- 15.2.2.3** The investee company is in the process of winding up. Hence net assets value per share is not available.
- 15.2.2.4** The investee company had been de-listed in prior year. Therefore, the investment has been reclassified from listed securities to un-listed securities. Currently, the investment is carried at Rs. 1.90 per share (quoted price of last trading day before de-listing)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2 0 2 1	2 0 2 0
		----- Rupees -----	----- Rupees -----
16 MORABAHA / MUSHARAKA RECEIVABLES - SECURED			
Musharaka - considered good	16.1 &	8,634,174	53,074,682
Morabaha - considered doubtful	16.2	17,380,055	17,380,055
		26,014,229	70,454,737
Provision for non performing assets		(17,380,055)	(17,380,055)
		8,634,174	53,074,682

16.1 The Modaraba had entered into Morabaha and Musharaka agreements under which the Modaraba had 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 (2020: 12% to 16% per annum).

16.2 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.

	Note	2 0 2 1	2 0 2 0
		----- Rupees -----	----- Rupees -----
17 SHORT TERM INVESTMENT			
Investment classified at fair value through profit and loss account			
Listed securities	17.1	161,149,390	48,464,418

17.1 Listed securities

2 0 2 1	2 0 2 0	Name of investee	2 0 2 1	2 0 2 0
----- Numbers -----	----- Numbers -----		----- Rupees -----	----- Rupees -----
Oil and gas				
78,400	18,400	Sui Northern Gas Pipeline Limited	3,808,672	1,004,640
-	13,625	Attock Refinery Limited	-	1,216,985
140,000	-	Oil & Gas Development Company Limited	13,304,200	-
Chemicals				
-	12,500	Ghani Global Glass Limited	-	149,500
-	33,296	Ghani Gases Limited	-	523,746
-	199	Engro Polymer and chemicals Limited -	-	4,971
Food & Personal Care Products				
-	6,200	Engro Foods Limited	-	455,762
678,000	-	Al-Shaheer Corporation Limited	13,512,540	-
21,000	-	Clover Pakistan Limited	1,363,740	-
211,113	-	Unity Foods Limited	9,398,751	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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2 0 2 1	2 0 2 0	Name of investee	2 0 2 1	2 0 2 0
----- Numbers -----	----- Rupees -----			
Construction and materials				
12,500	5,000	Bestway Cement Limited	2,019,000	543,650
279,000	253,500	Dewan Cement Limited	3,141,540	1,972,230
-	6,078	D. G Khan Cement Company Limited	-	518,636
345,500	5,000	Fly Cement Limited	7,352,240	45,250
4,400	2,200	Cherat Cement Company Limited	780,472	191,774
1,350,000	1,406,286	Power Cement Limited	12,973,500	8,718,973
80,000	-	Fauji Cement Company Limited	1,840,000	-
124,500	-	Maple Leaf Cement Factory Limited	5,849,010	-
Pharma and biotech				
13,339	11,805	The Searle Pakistan Limited	3,236,308	2,351,910
Paper & Board				
59,400	59,400	Roshan Packages Limited	1,956,636	1,331,748
Engineering				
-	14,500	International Steel Limited	-	748,925
27,500	-	Agha Steel Industries Limited	927,575	-
Textile Composites				
210,000	238,000	International Knitwear Limited	3,015,600	3,927,000
9,000	-	Nishat Mills Limited	839,700	-
Miscellaneous				
-	21,721	United Distributors Limited	-	722,223
4,000	-	EcoPack Limited	181,360	-
10,000	-	Pakistan Hotel Developers Limited	1,020,000	-
Fertilizer				
35,000	-	Engro Fertilizer Limited	2,459,450	-
Modarabas				
38,000	-	First UDL Modaraba	380,000	-
Automobile Assembler				
37,500	-	Ghandhara Industries Limited	10,463,250	-
Fixed line telecommunication				
709,500	709,500	Pakistan Telecommunication Company Limited	8,400,480	6,300,360
Securities Companies				
1,602,953	1,602,953	Pakistan Stock Exchange Limited	35,761,881	15,869,235
Cable & electrical goods				
-	70,000	TPL Tracker Limited	-	361,900
474,750	-	Waves Singer Pakistan Limited	12,941,685	-
Power Generation Distribution & Electricity				
1,010,000	500,000	K-Electric Limited	4,221,800	1,505,000
7,565,355	4,990,163		161,149,390	48,464,418



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	Rupees	2020
18 ADVANCES - CONSIDERED GOOD				
Employee	18.1	211,396	90,956	
Advance tax		11,163,007	10,456,069	
Other		-	4,039	
		11,374,403	10,551,064	
18.1				
The maximum aggregate amount due from employees at the end of any month during the year was Rs. 311,015 (2020: Rs. 299,731). These are secured against the property documents retained by the Modaraba.				
19 TRADE DEPOSITS AND PREPAYMENTS				
Deposits		15,966,856	14,766,856	
Prepayments		415,242	412,671	
		16,382,098	15,179,527	
20 OTHER RECEIVABLES				
Receivable from clients	20.1 & 20.2	18,626,369	20,539,480	
Others	20.2	11,449,045	3,887,489	
		30,075,414	24,426,969	
20.1 Receivable from clients				
Considered good		18,626,369	20,539,480	
Considered doubtful		12,500,000	12,500,000	
		31,126,369	33,039,480	
Less: Provision for doubtful debts		(12,500,000)	(12,500,000)	
		18,626,369	20,539,480	
20.1.1 Movement in provision for doubtful debts				
Opening provision		12,500,000	12,500,000	
Charge for the year		-	-	
		12,500,000	12,500,000	
20.2 Receivable from clients and others				
Receivable from clients and others include receivable from related parties amounting to Rs. 62,600 (2020: Rs. 19,004).				
21 BANK BALANCE				
-in current accounts		1,372,601	1,345,841	
-in islamic accounts		82,078,787	89,412,376	
		83,451,388	90,758,217	

21.1 These carry profit at rates ranging from 3.5% to 7.0% (June 30, 2020: 2.0% to 5.0%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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22 INCOME

Profit on Musharaka	2,669,091	12,992,030
Brokerage commission	3,085,336	504,670
Capital gain / (loss)	22,492,178	(1,354,033)
Dividend	2,797,704	1,314,657
Rental	-	3,000,000
	31,044,309	16,457,325

23 OPERATING EXPENSES

Salaries, allowances and benefits	23.1	8,217,122	6,450,662
Traveling, conveyance and entertainment		568,402	413,099
Telephone and postage		1,159,604	756,924
Electricity		519,255	344,782
Insurance		534,772	491,630
Printing, stationery and advertisement		600,137	1,037,632
Fees and subscriptions		2,333,182	1,580,222
Vehicle running and maintenance		1,782,243	1,904,331
Depreciation	11 & 13	1,592,238	1,581,968
Facilities and services		4,368,040	4,216,865
Repair and maintenance		1,821,448	1,366,858
Annual review meeting		87,779	205,065
Auditor's remuneration	23.3	529,050	390,800
Legal and professional		497,862	624,430
Training and development		97,500	30,000
Shariah advisor		225,000	200,000
KSE & SECP Charges		738,610	446,479
Withholding & CVT tax		41,876	243,840
Others		264,451	263,311
		25,978,571	22,548,898

23.1 Remuneration of executives and other employees

The aggregate amount charged in the financial statements for remuneration, including benefits to 7 (2020: 7) employees of the Modaraba is:

	2 0 2 1		2 0 2 0	
	E x e c u t i v e s	O t h e r e m p l o y e e s	E x e c u t i v e s	O t h e r e m p l o y e e s
	----- R u p e e s -----			
Salaries and allowances	2,939,600	2,258,300	2,304,000	1,831,260
Leave fare & encashment	432,000	136,450	46,800	183,400
Expenses reimbursed:				
- Medical	250,997	285,496	207,948	240,352
	3,622,597	2,680,246	2,558,748	2,255,012



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

23.2 Salaries, allowances and benefits include provision for gratuity of Rs. 762,371 (2020: Rs. 1,017,777). Officers are also provided with free use of the Modaraba maintained cars.

	2021	2020
	Rupees	
23.3 Auditors' remuneration		
Audit fee	250,000	250,000
Half yearly review	30,000	26,500
Other fees	<u>249,050</u>	114,300
	<u>529,050</u>	390,800

24 FINANCIAL CHARGES

Bank charges	10,126	3,579
	<u>10,126</u>	<u>3,579</u>

25 OTHER INCOME

Profit on investment accounts with Islamic bank	818,093	233,842
Gain on disposal of fixed assets	17,117	-
Business management compensation	<u>13,000,000</u>	-
	<u>13,835,210</u>	<u>233,842</u>

26 MODARABA MANAGEMENT COMPANY'S FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, a management fee at the rate of 10% of annual profits is payable to the Management Company. Accordingly, the Modaraba has recognised a liability of Rs. 1.889 million for the year (June 30, 2020 : Rs. Nil). Furthermore during the year, an amount of Rs. 0.246 million was charged on account of sales tax on Management fee (June 30, 2020 : Rs. Nil) levied through Sindh Sales Tax on Services Act, 2011.

27 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable at the rate of 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. The Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (the SWWF Act). As per Section 5(1) of the WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's accounting year ended on June 30, 2014. During the year, the management has made a provision of Rs. 0.335 million (June 30, 2020: Rs. Nil) in respect of this liability. Moreover, liability in respect of WWF under the repealed WWF Ordinance and the SWWF Act up to June 30, 2021 has been recorded and disclosed in the financial statement amounting to Rs. 0.335 million.

28 TAXATION

28.1 Current tax

The return of the Modaraba was filed up to 2020 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 2016 and 2018 is in process under section 177 of the Ordinance which is not yet finalized.

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The income of non-trading modarabas is exempt from tax under clause 100 of the second schedule of the Income Tax Ordinance 2001, provided not less than 90% of its profits after appropriation to statutory reserves as required under Modaraba Regulations is distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liabilities for the current year.

However, the Finance Act, 2021, clause 100 of the Part 1 of Second Schedule of the Income Tax Ordinance, 2001 relating to the income tax exemption available to Modarabas has been withdrawn. Accordingly, no provision for income tax is required in the annual accounts for year ended June 30, 2021.

	2021	2020
	Rupees -----	-----
29 EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED		
Profit / (loss) for the year	<u>16,421,036</u>	<u>(5,861,310)</u>
	----- Numbers -----	-----
Weighted average number of certificates outstanding during the year	<u>52,440,000</u>	<u>52,440,000</u>
	----- Rupees -----	-----
Earnings / (loss) per certificate - basic and diluted	0.31	(0.11)

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

30 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

	2 0 2 1	2 0 2 0
	Rupees	
Investment	563,344,188	430,652,249
Morabaha/Musharaka receivables-secured	8,634,174	53,074,682
Advances-considered good	13,884,403	13,061,064
Trade deposits and prepayments	18,132,098	16,929,527
Other receivables	30,075,414	24,426,969
	634,070,277	538,144,491

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.

Particulars	2 0 2 1			Total
	Less than one year	Over one year but less than five years	Over five years	Rupees
Assets				
Long term investments	-	52,194,798	350,000,000	402,194,798
Morabaha & Musharaka receivables	8,634,174	-	-	8,634,174
Short term investments	161,149,390	-	-	161,149,390
Advances	11,374,403	2,510,000	-	13,884,403
Trade deposits	15,966,856	1,750,000	-	17,716,857
Other receivables	30,075,414	-	-	30,075,414
Bank balances	83,451,388	-	-	83,451,388
	310,651,625	56,454,798	350,000,000	717,106,423
Liabilities				
Deferred liability	-	-	5,710,591	5,710,591
Security Deposit	-	-	-	-
Creditors, accrued and other liabilities	22,455,658	-	-	22,455,658
Unclaimed profit distribution	29,553,525	-	-	29,553,525
	52,009,183	-	5,710,591	57,719,774
Net balance	258,642,442	56,454,798	344,289,409	659,386,649

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Particulars	2020 (Restated)			Total	
	Less than one year	Over one year but less than five years	Over five years		
----- Rupees -----					
Assets					
Long term investments	-	51,212,617	350,000,000	401,212,617	
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	
	242,042,206	55,472,617	350,000,000	647,514,823	
Liabilities					
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	202,751,390	55,472,617	345,448,740	603,672,747	

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:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 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.

31 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.

		(Restated)
	2021	2020
	Rupees -----	
31.1 Financial instruments by category		
Financial assets:		
At amortized cost		
Morabaha/Musharaka receivables	8,634,174	53,074,682
Advances	13,884,403	13,061,064
Trade deposits	17,716,856	16,516,856
Other receivables	30,075,414	24,426,969
Bank balances	83,451,388	90,758,217
Financial assets at fair value through profit or loss		
Short term investments	161,149,390	48,464,418
Financial assets at fair value through other comprehensive income		
Long term investments	52,194,798	51,212,617
	367,106,423	297,514,822
Financial assets at cost		
Long term investment in subsidiary	350,000,000	350,000,000
Financial liabilities:		
Financial liabilities at amortized cost		
Deferred liability	5,710,591	4,551,260
Security deposit	-	200,000
Creditors, accrued and other liabilities	22,455,658	9,530,468
Unclaimed profit distribution	29,553,525	29,560,348
	57,719,774	43,842,076
On balance sheet gap	659,386,649	603,672,747

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32 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.

Particulars	2021				Total	
	Up to one month	Over one month to one year	Over one year to five years	Over five years		
Rupees -----						
Assets						
Long term investments	-	-	52,194,798	350,000,000	402,194,798	
Morabaha & Musharaka receivables	-	8,634,174	-	-	8,634,174	
Short term investments	-	161,149,390	-	-	161,149,390	
Advances	-	211,396	2,510,000	-	2,721,396	
Trade deposits	-	15,966,856	1,750,000	-	17,716,856	
Other receivables	-	30,075,414	-	-	30,075,414	
Bank balances	-	83,451,388	-	-	83,451,388	
	-	299,488,617	56,454,798	350,000,000	705,943,415	
Liabilities						
Deferred liability	-	-	-	5,710,591	5,710,591	
Security deposit	-	-	-	-	-	
Creditors, accrued and other liabilities	-	22,455,658	-	-	22,455,658	
Provision for taxation	-	-	-	-	-	
Unclaimed profit distribution	-	29,553,525	-	-	29,553,525	
	-	52,009,183	-	5,710,591	57,719,774	
Net balance	-	247,479,434	56,454,798	344,289,409	648,223,641	

Particulars	2020 (Restated)				Total	
	Up to one month	Over one month to one year	Over one year to five years	Over five years		
Rupees -----						
Assets						
Long term investments	-	-	51,212,617	350,000,000	401,212,617	
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 and prepayments	-	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	
	-	231,586,131	55,472,617	350,000,000	637,058,753	
Liabilities						
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	
Provision for taxation	-	-	-	-	-	
Unclaimed profit distribution	-	29,560,348	-	-	29,560,348	
	200,000	39,090,816	-	4,551,260	43,842,076	
Net balance	(200,000)	192,495,320	55,472,617	345,448,740	593,216,677	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

33 YIELD / PROFIT RATE RISK EXPOSURE

Description	Effective yield / profit risk %	2021						Total	
		Yield / profit bearing maturing			Non yield / profit bearing maturing				
		With in one year	After one year	Sub-total	With in one year	After one year	Sub-total		
-----Rupees-----									
Financial assets									
Long term investments		-	-	-	402,194,798	402,194,798	402,194,798		
Morabaha/Musharaka receivables	12% to 16%	8,634,174	-	8,634,174	-	-	-	8,634,174	
Short term investments		161,149,390		161,149,390				161,149,390	
Advances		-	-	-	211,396	2,510,000	2,721,396	2,721,396	
Trade deposits		-	-	-	15,966,856	1,750,000	17,716,856	17,716,856	
Other receivables		-	-	-	30,075,414	-	30,075,414	30,075,414	
Bank balances	3.5% to 7%	82,078,787	-	82,078,787	1,372,601	-	1,372,601	83,451,388	
		251,862,351	-	251,862,351	47,626,266	406,454,798	454,081,065	705,943,415	
Financial Liabilities									
Deferred liability		-	-	-	-	5,710,591	5,710,591	5,710,591	
Security deposit		-	-	-	-	-	-	-	
Creditors, accrued and other liabilities		-	-	-	22,455,658	-	22,455,658	22,455,658	
Unclaimed profit distribution		-	-	-	29,553,525	-	29,553,525	29,553,525	
		-	-	-	52,009,183	5,710,591	57,719,774	57,719,774	
On Balance Sheet Gap		251,862,351	-	251,862,351	(4,382,917)	400,744,207	396,361,291	648,223,641	

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 % age	2020						Total	
		Yield / profit bearing maturing			Non yield / profit bearing maturing				
		With in one year	After one year	Sub-total	With in one year	After one year	Sub-total		
-----Rupees-----									
Financial assets									
Long term investments		-	-	-	-	401,254,417	401,254,417	401,254,417	
Morabaha/Musharaka 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	2% to 5%	89,412,376	-	89,412,376	1,345,841	-	1,345,841	90,758,217	
		190,951,476	-	190,951,476	40,634,660	405,514,417	446,149,077	637,100,553	
Financial Liabilities									
Deferred liability		-	-	-	-	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	400,963,157	402,307,001	593,258,477	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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SEGMENT INFORMATION

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

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

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

Particulars	2021					2020
	Musharaka facility	Brokerage operation	Capital market	Others	Total	Total
-----Rupees-----						
Segment revenues	2,669,092	3,085,336	25,289,882	13,835,209	44,879,519	16,691,166
Segment result	2,669,092	(3,164,046)	25,289,882	13,835,209	38,630,137	13,187,502
Unallocated cost						
Operating expenses					(19,729,189)	(19,045,233)
Financial Charges					(10,126)	(3,579)
Management fee					(1,889,082)	-
Service Sales Tax					(245,581)	-
WWF					(335,123)	-
Profit / (loss) before taxation					16,421,036	(5,861,310)
Taxation					-	-
Profit / (loss) for the year					16,421,036	(5,861,310)
Other information						
Segment assets	8,634,174	20,526,369	213,344,187	1,231,667	243,736,397	176,584,663
Unallocated assets					480,228,648	479,172,634
Total assets					723,965,045	655,757,297
Segment liabilities	-	15,628,272	-	-	15,628,272	2,733,586
Unallocated liabilities					42,091,502	41,108,490
Total liabilities					57,719,774	43,842,076

35 TRANSACTIONS WITH RELATED PARTIES

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

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



**NOTES TO THE FINANCIAL STATEMENTS
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		2 0 2 1	Rupees	2 0 2 0
35.1 Balance outstanding at year end				
Modaraba Management Company				
Current account payable		232,668	196,585	
Modaraba Management Remuneration		1,889,082	-	
Subsidiary companies				
Investment in Equity Textiles Limited		250,000,000	250,000,000	
Investment in Capital Financial Services (Private) Limited		50,000,000	50,000,000	
Investment in Apex Financial Services (Private) Limited		50,000,000	50,000,000	
Receivable from / payable to wholly owned subsidiary companies		10,455,064	690,039	
Receivable from related party		349,099	349,099	
Other related parties (including key management personnel)				
Deferred liability staff gratuity		5,710,591	4,551,260	
Brokerage house client receivable		62,600	19,004	
35.2 Transactions during the year	Relationship			
Modaraba Management Company				
Reimbursement		4,368,040	4,216,865	
Other related parties (including key management personnel)				
Contribution to staff gratuity fund		762,371	1,017,777	
Subsidiary companies				
Reimbursement of expenses from:				
Apex Financial Services (Private) Limited	Wholly owned subsidiary	5,000,000	-	
Capital Financial Services (Private) Limited	Wholly owned subsidiary	8,000,000	-	
Services acquired	Key Management Personnel / Associated company	544,160	539,729	
Brokerage commission earned	Key Management Personnel / Associated company	478,128	205,309	

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36 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	2021 Rupees
Current Assets			
Cash and bank balances	As per book value	36.1	83,451,388
Trade receivables	Book value less overdue for more than 14 days		207,843
Investment in listed securities in the name of brokerage house	Securities marked to market less 15% discount		106,635,382
Securities purchased for client			7,097,311
			197,391,924
Current Liabilities			
Trade payables	Book value less		11,455,285
Other Payables	As per book value		38,084,112
			49,539,397
Net Capital balance as at June 30, 2021			147,852,527

36.1 Cash and Bank Balance

Bank balance pertaining to brokerage house	65,831,978
Bank balance pertaining to clients	17,619,410
	83,451,388



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

37. COMPUTATION OF LIQUID CAPITAL

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	6,443,380	6,443,380	-
1.2	Intangible Assets	-	-	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
Investment in Debt. Securities				
If listed than:				
i.	5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
ii.	7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
If unlisted than:				
i.	10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
ii.	12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.4	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
Investment in Equity Securities				
i.	If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	161,149,390	56,751,990	104,397,400
ii.	If unlisted, 100% of carrying value.	52,194,798	52,194,798	-
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.	-	-	-
1.5	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	-
Investment in associated companies/undertaking				
i.	If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
ii.	If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	1,775,000	1,775,000	-
1.9	Margin deposits with exchange and clearing house.	1,350,000	-	1,350,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	15,007,098	15,007,098	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
1.12	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. <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	211,396	-	211,396
1.15	ii. Receivables other than trade receivables	11,734,045	11,734,045	-
Receivables from clearing house or securities exchange(s)				
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
1.16	claims on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Receivables from customers			
1.17	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. Incase receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	<i>ii. Net amount after deducting haircut</i>			
	iii. Incase receivablebs are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	<i>iii. Net amount after deducting haricut</i>			
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	50,850	-	50,850
	<i>iv. Balance sheet value</i>			
	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.	18,575,519	5,508,058	5,508,058
	<i>v. Lower of net balance sheet value or value determined through adjustments</i>			
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>			
1.18	Cash and Bank balances			
	I. Bank Balance-proprietary accounts	65,831,978	-	65,831,978
	ii. Bank balance-customer accounts	17,619,410	-	17,619,410
	iii. Cash in hand	-	-	-
1.19	Total Assets	701,942,864	499,414,369	194,969,092
	2. Liabilities			
2.1	Trade Payables			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	15,628,272	-	15,628,272
2.2	Current Liabilities			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	33,911,125	-	33,911,125
	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	Non-Current Liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituition: 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	5,710,591	-	5,710,591
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:			
	a. The existing authorized share capital allows the proposed enhanced share capital	-	-	-
	b. Board of Directors of the company has approved the increase in capital	-	-	-
	c. Relevant Regulatory approvals have been obtained	-	-	-
	d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.	-	-	-
	e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Subordinated Loans			
2.4	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: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. 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.		-	-
2.5	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	55,249,988	-	55,249,988
3. Ranking Liabilities Relating to :				
3.1	Concentration in Margin Financing The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	Concentration in securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	Net underwriting Commitments (a) in the case of right issue : 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) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurrency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Opening Positions in futures and options			
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	-	-	-
	Short sell positions			
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.	-	-	-
3.11	Total Ranking Liabilities	-	-	-
		646,692,876	Liquid Capital	139,719,104
	Calculations Summary of Liquid Capital			
(i)	Adjusted value of Assets (serial number 1.19)			194,969,092
(ii)	Less: Adjusted value of liabilities (serial number 2.5)			(55,249,988)
(iii)	Less: Total ranking liabilities (series number 3.11)			-
				139,719,104

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.

38 NUMBER OF EMPLOYEES

Total number of employees of the Modaraba as at June 30, 2021 are 7 (2020: 7). Average number of employees of the Modaraba during the year 7 (2020: 7).

(Restated)
2 0 2 1 **Rupees** **2 0 2 0**

39 CAPITAL ADEQUACY LEVEL

Total assets	718,965,045	650,757,298
Less: Total liabilities	(57,719,774)	(43,842,076)
Revaluation reserves (created upon revaluation of fixed assets)	-	-
Capital adequacy level	661,245,271	606,915,223

40 CORRESPONDING FIGURES

Figures have been rounded off to the nearest rupee.

41 AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 04, 2021.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.50 per certificate (2020: Re. Nil per certificate) for the year ended June 30, 2021, resulting in a total distribution of profit amounting to Rs.26.22 million (2020: Rs. Nil), in its meeting held on October 04, 2021, which is more than 90% of the net profit for the year ended June 30, 2021, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.

43 GENERAL

- 43.1** Figures in these financial statements have been rounded off to the nearest rupee.
- 43.2** The corresponding figures, wherever necessary, have been re-arranged / re-classified for the purpose of comparison.
- 43.3** 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, 2021*

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **FIRST EQUITY MODARABA** (the holding company / Modaraba) and its subsidiary companies as at June 30, 2021 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of First Equity Modaraba, Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited except for Equity Textile Limited which were audited by another firm of chartered accountants whose reports have been furnished to us and our opinion is so far as it relates to the amount included for such companies is based solely on the report of such other auditor. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standard on Auditing and accordingly included such test of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Modaraba and, its two subsidiaries named Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited have charged gain of Rs. 56.433 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 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 decreased by Rs. 56.433 million (2020: decreased by Rs. 6.71 million).

In our opinion, except for the effects of the matter described in paragraphs above, the consolidated financial statements present fairly the financial position of the **FIRST EQUITY MODARABA** and its subsidiary companies as at June 30, 2021 and the results of their operations for the year then ended.

Other matter

The consolidated financial statements of the First Equity Modaraba for the year ended June 30, 2020 were audited by another firm of Chartered Accountants, whose report dated October 04, 2020 expressed a qualified opinion on such financial statements for recording of unrealized gain on investments in equity securities classified as 'financial asset at fair value through profit and loss' in other comprehensive income instead of profit and loss account as required by IFRS 9.

Crowe Hussain Chaudhury & Co

Chartered Accountants

Engagement Partner:

Imran Shaikh.

Place: Karachi

Date: October 04, 2021

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2021

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	Note	(Restated)	2 0 2 1	2 0 2 0
		----- Rupees -----		
EQUITY AND LIABILITIES				
Authorized certificate capital				
60,000,000 (2020: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000	
Certificate holders' equity				
Certificate capital	7	524,400,000	524,400,000	
Reserves	8	476,953,955	179,179,553	
Remeasurement of defined benefit liability - actuarial gain		738,541	1,135,501	
Surplus on revaluation of fixed assets	9	571,721,754	364,295,561	
Unrealised loss on remeasurement of investments		(12,014,977)	(61,776,931)	
Total certificates holders' equity		1,561,799,273	1,007,233,684	
Non-current liabilities				
Long term financing	10	37,408,022	37,648,555	
Liability against assets subject to finance lease	11	53,999,829	34,206,452	
Deferred liabilities	12	148,220,667	110,837,948	
Deferred capital grant	13	2,938,227	-	
Security deposit		-	200,000	
Total non-current liabilities		242,566,745	182,892,955	
Current liabilities				
Short term borrowings	14	29,043,486	129,307,874	
Current portion of long term liabilities	15	80,591,233	8,419,173	
Creditors, accrued and other liabilities	16	800,678,018	720,322,663	
Accrued mark up	17	4,816,295	7,145,156	
Taxation - net	33	21,406,856	15,953,555	
Current portion of deferred capital grant	13	5,639,926	-	
Unclaimed profit distribution		29,553,525	29,560,348	
Total current liabilities		971,729,339	910,708,770	
Total equity and liabilities		2,776,095,357	2,100,835,409	
Contingencies and commitments	18			



CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2021

		(Restated)			
		2 0 2 1	2 0 2 0		
	Note	----- Rupees -----			
ASSETS					
Non-current assets					
Fixed assets					
- tangible	19	1,431,420,593	1,129,311,419		
- intangible	20	13,826,293	14,251,436		
Capital work in progress	21	-	4,877,875		
Investment property	22	1,231,667	1,351,667		
Long term investments	23	52,194,798	51,254,417		
Advances		2,510,000	2,510,000		
Deposits		9,513,700	5,784,700		
Total non-current assets		1,510,697,052	1,209,341,515		
Current assets					
Stores and spares	24	43,805,958	52,292,527		
Stock in trade	25	254,040,783	307,653,108		
Trade debts	26	348,950,910	107,498,016		
Morabaha / Musharaka receivables-secured	27	8,634,174	53,074,682		
Short term investments	28	242,843,718	85,964,713		
Advances - considered good	29	44,380,621	16,042,984		
Trade deposits and prepayments	30	93,684,934	78,587,261		
Other receivables	31	51,869,312	29,985,520		
Tax refund from government authorities	32	53,155,768	59,445,887		
Cash and bank balances	34	124,032,127	100,949,196		
Total current assets		1,265,398,305	891,493,894		
Total assets		2,776,095,357	2,100,835,409		

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

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	Note	2 0 2 1	2 0 2 0
		Rupees	
Income	35	417,605,418	83,656,368
Expenditures			
Operating expenses	36	(77,800,565)	(60,921,095)
Distribution and selling expenses	37	(17,912,387)	(15,923,182)
		(95,712,952)	(76,844,277)
Operating profit		321,892,466	6,812,091
Financial charges	38	(40,358,588)	(49,245,484)
Other income	39	2,725,869	3,255,134
Other charges	40	(12,155,858)	(345,600)
		272,103,889	(39,523,859)
Modaraba Management Company's Remuneration	41	(1,889,082)	-
Sales tax on Modaraba Management Company's Remuneration	41	(245,581)	-
Provision for Sindh Workers' Welfare Fund	42	(4,954,349)	-
Profit / (loss) before taxation		265,014,877	(39,523,859)
Taxation	43		
- current		(67,625,643)	(47,750,273)
- prior		(1,306,300)	-
- deferred		65,261,912	40,214,808
		(3,670,031)	(7,535,465)
Profit / (loss) after taxation		261,344,846	(47,059,324)
Earnings / (loss) per certificate - basic and diluted	44	4.98	(0.90)

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Qazi Obaid Ullah
Chief Financial Officer

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

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

Qaiser Ahmed Magoon
Director
Premier Financial
Services (Private) Limited



**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

	(Restated)	2 0 2 1	2 0 2 0
	----- Rupees -----		
Profit / (loss) for the year	261,344,846	(47,059,324)	
Other comprehensive income			
Items that will be subsequently reclassified:			
Unrealized gain / (loss) on remeasurement of investments	49,761,954	1,866,081	
Gain realised on disposal of investments	6,671,976	3,222,776	
	56,433,930	5,088,857	
Items that will not be subsequently reclassified:			
Remeasurement of defined benefit liability	(396,960)	689,061	
Unrealized gain on remeasurement of investment held at FVTOCI	940,381	19,066,586	
Revaluation surplus on fixed assets - net of deferred taxation	243,855,749	-	
Other comprehensive income	300,833,100	24,844,504	
Total comprehensive income / (loss) for the year	562,177,946	(22,214,820)	

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

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2021 **2020**
----- Rupees -----

CASHFLOWS FROM OPERATING ACTIVITIES

Profit / (loss) before taxation	265,014,877	(39,523,859)
---------------------------------	--------------------	--------------

Adjustments for non-cash and other items:

Depreciation	117,970,441	121,133,340
Amortization on intangible asset	425,144	223,760
Exchange loss on import	-	345,600
Provision for gratuity	762,371	1,017,777
Dividend income	(3,466,359)	(1,709,977)
Gain on sale of asset	(637,373)	(1,322,860)
Financial charges	40,358,588	49,245,484
	155,412,812	168,933,124

Cash generated from operations before working capital changes	420,427,689	129,409,265
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Working capital changes

(Increase) / decrease in operating assets

Store, spares and loose tools	8,486,569	(1,808,122)
Stock-in-trade	53,612,326	89,605,000
Trade debts	(241,452,894)	104,192,518
Morabaha / Musharaka receivables	44,440,508	86,507,969
Advances	(28,337,637)	19,765,181
Trade deposits and prepayments	(15,097,673)	(3,729,597)
Other receivables	(21,883,792)	(354,781)
Tax refund from government authorities	-	31,565,881
	(200,232,593)	325,744,049

(Decrease) / increase in operating liabilities

Short term borrowing	(100,264,388)	(102,296,742)
Creditors, accrued and other liabilities	82,394,302	(4,939,384)
	(17,870,086)	(107,236,126)
Staff retirement benefit-gratuity paid	-	(29,250)
Financial charges paid	(42,687,450)	(76,791,479)
Dividend paid	(6,823)	(866)
Taxes paid	(59,227,475)	(33,026,534)
Net cash generated from operating activities	100,403,262	238,069,060



CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

2021 **2020**
----- Rupees -----

CASH FLOWS FROM INVESTING ACTIVITIES

Investments - net	(106,175,179)	6,339,241
Long term deposits	(3,729,000)	(3,653,900)
Proceeds from sale of tangible assets	941,001	1,502,493
Dividend received	3,466,359	1,709,977
Capital work in progress	4,877,875	(4,877,875)
Purchases of tangible assets	(76,804,443)	(51,671,286)
Payment against Security deposit	(200,000)	-
Net cash (used in) investing activities	(177,623,387)	(50,651,350)

CASH FLOWS FROM FINANCING ACTIVITIES

Additions in liabilities against asset subject to finance lease	30,065,526	38,998,000
Deferred capital grant	8,578,153	-
Long term financing	61,659,378	(136,319,440)
Net cash generated from / (used in) financing activities	100,303,057	(97,321,440)
Net (decrease) / increase in cash and cash equivalents	23,082,933	90,096,271
Cash and cash equivalents at beginning of the year	100,949,196	10,852,925
Cash and cash equivalents at the end of the year	124,032,127	100,949,196

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

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Description	Certificate Capital	Statutory reserve*	Certificate premium account	General reserve	Accumulated loss	Total reserves	Rupees		Unrealised (loss) / gain on remeasurement of investments	Total
							Remeasurement of defined benefit liability	Surplus on revaluation of fixed assets		
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	-	24,155,443	24,844,504
Incremental depreciation on revaluation	-	-	-	-	-	-	-	-	-	-
surplus net of 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	(61,776,931)	1,007,233,684
Profit for the year	-	-	-	-	261,344,846	261,344,846	-	-	-	261,344,846
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(396,960)	-	49,761,954	49,364,994
Revaluation surplus during the year	-	-	-	-	-	-	-	243,855,749	-	243,855,749
Incremental depreciation on revaluation	-	-	-	-	-	-	-	(36,429,556)	-	-
surplus net of deferred tax	-	-	-	-	36,429,556	36,429,556	-	-	-	-
Transfer to statutory reserve	-	3,294,210	-	-	(3,284,210)	-	-	-	-	-
Profit distribution for the year	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	524,400,000	164,334,210	131,100,000	27,120,000	154,399,745	476,953,955	738,541	571,721,754	(12,014,977)	1,561,799,273

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

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Qazi Obaid Ullah
Chief Financial Officer

Adil A. Ghaffar
Chief Executive Officer

Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director

Premier Financial
Services (Private) Limited

Qaiser Ahmed Magoon
Director

Premier Financial
Services (Private) Limited



Page 64 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEAR ENDED JUNE 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

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

1.1 First Equity Modaraba

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

The Modaraba is a perpetual, multipurpose modaraba and is able to undertake a variety of fund and fee based activities. The Modaraba is a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Pakistan Stock Exchange Limited.

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

1.2 Equity Textiles Limited

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

1.3 Capital Financial Services (Private) Limited

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

1.4 Apex Financial Services (Private) Limited

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

Consolidation procedures

1.5 Subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Page 65
FOR THE YEAR ENDED JUNE 30, 2021

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

Transactions eliminated on consolidation

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

Functional and reporting currency of group

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

1.6 Basis of consolidation

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

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

2 DISCLOSURE OF IMPACT OF COVID - 19 PANDEMIC ON FINANCIAL STATEMENTS OF THE GROUP

Following the financial year that ended on June 30, 2020, increase in the COVID - 19 positive cases have been observed in the country and worldwide at different time intervals. At reporting date of these financial statements and later on, the infection rate is on increase in the country and as a consequence, the government has formally tighten the implementation of COVID - 19 related standard operating procedures along with enforcement of some other strict measures. However, there is no alarming indication towards infection spread at large scale leading towards economic and business lockdown in the country.

The Group is closely monitoring the situation and is of the view that adequate controls business continuity plans, remote working capabilities and procedures are in place that ensures the safety and security of the staff and uninterrupted service to the customers. Further, the Group has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Group has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Modaraba.



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3 BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Significant accounting estimates and judgments

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

	Note
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.18
c) Classification of investments	5.3
d) Income tax	5.11
e) Provision for staff gratuity	5.13

4 STANDARDS, IFRIC INTERPRETATIONS AND AMMENDENTS WHICH BECAME EFFECTIVE DURING THE YEAR

4.1 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after April 1, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements, except for the following:

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4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2020 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after April 1, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements, except for the following:

Standard or interpretation	Effective date (Annual periods beginning on or after)
IAS 1 - Presentation of financial statements	April 01, 2021

(a) Classification of liabilities - Amendment to IAS 1

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and
- Settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments

The management has assessed that the impact of this amendment is not expected to be significant.

(b) Disclosure of accounting policies and definition of accounting estimates - Amendment to IAS 1 and IAS 8

The IASB amended IAS 1, 'Presentation of Financial Statements', to require companies to disclose their material accounting policy information rather than their significant accounting policies. The



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amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The management has assessed that the impact of this amendment is not expected to be significant.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14 - Regulatory Deferral Accounts

IFRS 17 - Insurance Contracts

The Group expects that above new standards will not have any material impact on the Group's financial statements in the period of application.

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 Group charges depreciation on the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 19. Full depreciation is charged on additions, except major additions or extensions to production, facilities which are depreciated on pro-rata basis for the duration of use during the year. Group charges depreciation on additions from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal. The Group accounts for impairment, where indication exists, by reducing the carrying value to the estimated recoverable amount.

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

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

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

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.

5.1.3 Finance lease

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

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

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

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

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 22. 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.



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

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

5.3 Financial instruments

5.3.1 Financial assets

- Initial Measurement

The Group classifies its financial assets into following three categories:

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

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

- Subsequent measurement

Debt Investments at FVOCI

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

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.

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- 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



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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.

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

5.11.1 Parent company

- Current

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

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- **Deferred**

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

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

5.11.2 Subsidiary companies

- **Current**

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

- **Deferred**

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

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

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

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.

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 Group operates an unfunded gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the



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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.

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

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

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

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

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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 Companies and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

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

5.23 Capital Risk Management

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

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

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 Group's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

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

- Income taxes

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

- Property, plant and equipment

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

- 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.



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6 COMPLIANCE WITH IFRS 9

As referred in note 23.1.2 to the financial statements, Group was previously carrying investments in unlisted equity securities at cost which is required to be measured at fair value, based on its business model, as per the requirements of IFRS-09 "Financial Instruments". During the year, Group has complied with the requirement by measuring the equity securities at 'Fair Value Through Other Comprehensive Income' according to its business model by taking the effect retrospectively. The above change in the accounting policy has been applied retrospectively and comparative information have been restated in accordance with the requirement of IFRS-09 and IAS 8. Due to the above change, the Modaraba has restated the comparative figures in accordance with requirement of IAS 1 – Presentation of Financial Statements (Revised) (IAS 1).

Since, the application of IFRS-9 came into effect for periods ending on and after July 01, 2019, therefore, the three balance sheet statements presentation is not applicable.

Following are the effects of the correction in the current year financial statements;

Effects of prior period on financial statements for the year ended June 30, 2020	As per audited financial statements	Effect on prior period	Restated amounts
		Rupees	
Restatement in Balance sheet			
Long term investments	32,187,831	19,066,586	51,254,417
Unrealized loss on remeasurement of investment	(80,843,517)	19,066,586	(61,776,931)
Restatement in Statement of Comprehensive Income			
- Items that will not be subsequently reclassified:			
Unrealized gain on remeasurement of investment held at FVTOCI	-	19,066,585	19,066,585
Restatement in Statement of Changes in Equity			
Unrealized gain on remeasurement of investments	5,088,857	19,066,586	24,155,443

7 CERTIFICATE CAPITAL

2021	2020		2021	2020
----- No. of certificates -----			----- 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
<u>52,440,000</u>	<u>52,440,000</u>		<u>524,400,000</u>	<u>524,400,000</u>

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- 7.1** Certificates held by the Management Company: 5,532,296 (2020: 5,532,296).

8 RESERVES	Note	2 0 2 1	2 0 2 0
		Rupees -----	
Capital reserves			
Statutory reserve		164,334,210	161,050,000
Certificate premium account		131,100,000	131,100,000
Revenue reserve			
Accumulated (loss) / Profit		154,399,745	(140,090,447)
General reserve		27,120,000	27,120,000
		476,953,955	179,179,553

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

9 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance		513,092,339	570,102,598
Movement of revaluation surplus during the year	9.1	292,149,567	(57,010,259)
Movement of deferred tax during the year	9.2	(233,520,153)	(148,796,778)
Closing balance		571,721,753	364,295,561

9.1 Movement of revaluation surplus

Surplus recognised during the year	9.3	343,458,801	-
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(36,429,556)	(40,477,284)
Related deferred tax liability		(14,879,678)	(16,532,975)
		292,149,567	(57,010,259)

9.2 Movement of deferred tax liability

Opening balance		148,796,779	165,329,753
Effect of surplus recognized during the year		99,603,052	-
Less: incremental depreciation charged during the year transferred to the profit and loss account.		(14,879,678)	(16,532,975)
Closing balance		233,520,153	148,796,778

9.3 Revaluation surplus recognized during the year

Building	9.3.1	169,509,540	-
Plant and machinery	9.3.2	173,949,261	-
		343,458,801	-



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9.3.1 This represents net surplus on revaluation of Group's factory building, colony building, plant and machinery, generators, electric installation and factory equipment carried out as on June 30, 2021.

9.3.2 The surplus on revaluation of property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

	Note	2 0 2 1	Rupees	2 0 2 0
10 LONG TERM FINANCING				
Secured - financial institutions				
Habib Bank Limited - Term loan	10.1	5,876,224	7,760,837	
The Bank of Punjab - Salary refinance scheme	10.2	64,996,847	-	
Habib Metropolitan Bank - Term loan	10.3	32,148,899	33,601,755	
		103,021,970	41,362,592	
Less: Current portion shown under current liabilities		(65,613,948)	(3,714,037)	
		37,408,022	37,648,555	
10.1 Habib Bank Limited - Demand finance				
Demand finance II	10.1.1	5,876,224	7,760,837	
		5,876,224	7,760,837	

10.1.1 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 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.

	Note	2 0 2 1	Rupees	2 0 2 0
10.2 The Bank of Punjab				
Salary refinance scheme	10.2.1	64,996,847	-	
		64,996,847	-	

10.2.1 This amount is payable against Salary refinance scheme as per SBP refinance payroll / salary / wages scheme. This loan was disbursed in two tranches amounting to Rs. 50 million and 48.1 million and carried markup at the rate of SBP Rate + 200 bps pa and SBP Rate + 300 bps pa, respectively. The loan is repayable in 8 equal quarterly installments commencing from June, 2021.

The charge over the said project ranks first to pari passu with the charge registered with Bank of Punjab amounting to Rs. 134 million over all present and future fixed assets of the Group duly registered with SECP inclusive of 25% margin.

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FOR THE YEAR ENDED JUNE 30, 2021

	Note	2 0 2 1	Rupees	2 0 2 0
10.3 Habib Metropolitan Bank				
Term loan	10.3.1	32,148,899	33,601,755	
		32,148,899	33,601,755	

10.3.1 This facility is obtained for the modernization and upgradation of plant and machinery and is secured against exclusive hypothecation charge of Rs. 125.340 million (2020: Rs. 125.340 million) on assets to be imported under the sanctioned term loan limit amounting to Rs. 75 million (2020: 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.

	2 0 2 1	Rupees	2 0 2 0
11 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Secured			
Opening balance	38,911,588	2,294,762	
Additions during the year	37,290,000	38,998,000	
	76,201,588	41,292,762	
Payments / adjustments during the year	(7,224,474)	(2,381,174)	
	68,977,114	38,911,588	
Less: Payable within one year shown under current liabilities	(14,977,285)	(4,705,136)	
	53,999,829	34,206,452	

This represents finance lease entered into with financial institution for vehicles and plant and machinery. Financing at the rate of 3 and 6 month KIBOR plus ranging from 2.50% to 3.00% per annum have been used as a discounting factor. At the end of the lease period the ownership of assets shall be transferred to the Group upon the payment of residual values of the assets. The future minimum lease payments to which the Group is committed under the lease agreements and the periods in which they will become due are as follows:

Description	2 0 2 1			2 0 2 0		
	Upto one year	One to five years	Total	Upto one year	One to five years	Total
R upees						
Minimum lease payments outstanding	20,919,998	60,969,365	81,889,363	8,358,351	36,630,005	44,988,356
Financial charges not due	(5,550,872)	(7,361,377)	(12,912,249)	(3,653,215)	(2,423,553)	(6,076,768)
Present value of minimum lease payments	15,369,126	53,607,988	68,977,114	4,705,136	34,206,452	38,911,588
Payable within one year shown under current liabilities	(14,977,285)	-	(14,977,285)	(4,705,136)	-	(4,705,136)
Total	391,841	53,607,988	53,999,829	-	34,206,452	34,206,452



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2 0 2 1	Rupees	2 0 2 0
12 DEFERRED LIABILITIES				
Deferred taxation	12.1	142,510,076	106,286,688	
Staff gratuity	12.2	5,710,591	4,551,260	
		148,220,667	110,837,948	
12.1 Deferred taxation liability / asset				
The net balance for deferred taxation is in respect of the following temporary differences:				
Deferred tax liabilities				
Accelerated tax depreciation allowance		79,039,746	95,915,628	
Surplus on revaluation of investments		1,882,249	-	
Revaluation of operating fixed assets		233,520,152	148,796,778	
Lease rentals		1,608,847	640,595	
		316,050,994	245,353,001	
Deferred tax assets				
Provision for bad debts against local debtors		(3,019,954)	(3,019,953)	
Turnover tax		(170,520,964)	(136,046,360)	
		(173,540,918)	(139,066,313)	
		142,510,076	106,286,688	
12.2 Staff gratuity	12.2.2	5,710,591	4,551,260	
12.2.1 General description				
Employees, after completion of one year of service, shall be entitled for gratuity on leaving the Group's employment. Gratuity shall be paid on the basis of one month's last drawn monthly gross salary for each completed year of service.				
Annual provision is based on actuarial valuation, which was carried out as at June 30, 2021 on September 10, 2021 using the Projected Unit Method.				
12.2.2 Amount recognized in the balance sheet is as follow:				
Present value of defined benefit obligation		5,710,591	4,551,260	
Total defined benefit obligation		5,710,591	4,551,260	
12.2.3 Movement in defined benefit obligation				
Opening balance		4,551,260	4,251,794	
Charged for the defined benefit plan				
Current service cost		375,514	413,980	
Net interest		386,857	603,797	
Actuarial loss / (gain) on obligation		396,960	(689,061)	
		1,159,331	328,716	
Benefits paid		-	(29,250)	
Closing balance		5,710,591	4,551,260	

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----- Rate per annum -----		
12.2.4 Actuarial assumptions		
Valuation discount rate	10.00%	8.50%
Salary increase rate -Short term (period of next one year)	10.00%	8.50%
Salary increase rate- long term	10.00%	8.50%

The expected maturity analysis of undiscounted retirement benefit obligation is:

2 0 2 1		
Un-discounted payments		
----- Rupees -----		
2022	140,971	
2023	155,720	
2024	174,123	
2025	193,969	
2026	215,866	
2027 and onwards	42,277,891	

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

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

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

Impact on defined benefit obligation			
Change in assumptions	Increase	Decrease	
---- % ----	----- Rupees -----		
Discount rate	1%	5,246,884	6,240,243
Salary growth rate	1%	6,240,272	5,238,302

The expected gratuity expense for the next year amounted to Rs. 1.008 million. This is the amount by which defined benefit liability is expected to increase.

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2 0 2 1	Rupees	2 0 2 0
13 DEFERRED CAPITAL GRANT				
Capital grant		8,578,153	-	-
Current portion of deferred capital grant		(5,639,926)	-	-
	13.1	2,938,227	2,938,227	-

- 13.1** During the year, the Group received term finance facility from Bank of Panjab under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 98.1 million specifically for paying salaries and wages to Group's employees. The tenor of the financing is two and half year inclusive 6-Months Grace period and are repayable in 8 equal monthly installments commencing from March 2021. Subsequent to year end, ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Group recognized the deferred capital grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

14 SHORT TERM BORROWING

Secured - financial institutions (Running finance arrangements)

Habib Bank Limited - Pledged	14.1	-	76,024,091
Habib Bank Limited - Hypothecation	14.2	9,076,492	10,000,000
Habib Metropolitan Bank - Pledged	14.3	19,966,836	43,283,783
Bank of Punjab FIM	14.4	158	-
		29,043,486	129,307,874

- 14.1** 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 of ETL. 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 (2020: Rs. 90 million).
- 14.2** 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 ETL. The finance markup at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 10 million (2020: Rs. 10 million).
- 14.3** 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. 302 million on stocks and receivables of the ETL. The finance carries markup at the rate of 6 month KIBOR plus 200 basis points (2020: 200 basis points) to be calculated on monthly basis. The total sanctioned limit is Rs. 125 million (2020: Rs. 125 million).
- 14.4** The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory with a 15% margin. This facility is secured against pledge over ginned/raw cotton of Rs. 267 million of ETL. The finance carries markup at the rate of 3 month KIBOR plus 200 basis points (2020: Nil) to be calculated on monthly basis. The total sanctioned limit is Rs. 200 million (2020: Nil).

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	Note	2 0 2 1	Rupees	2 0 2 0
15 CURRENT PORTION OF LONG TERM LIABILITIES				
Secured – Banking Companies				
Bank of Punjab - Salary Refinance		43,410,074	-	
Habib Bank Limited - Term loan		5,876,224	3,714,037	
Habib Metropolitan Bank -Term Loan		16,327,650	-	
		65,613,948	3,714,037	
Liabilities against asset subject to finance lease	11	14,977,285	4,705,136	
		80,591,233	8,419,173	
16 CREDITORS, ACCRUED AND OTHER LIABILITIES				
Modaraba Management fee payable	41	1,889,082	-	
Sales tax on Modaraba Management fee payable	41	245,581	-	
Creditors		208,101,544	257,180,595	
Accrued expenses		467,751,776	454,978,716	
Charity		-	5,375	
Payable to clients		15,628,272	2,733,586	
Advance from customer		492,141	-	
Sale tax payable		68,310,318	2,023,028	
Withholding tax payable		18,424,243	697,592	
Provision for Sindh Workers' Welfare Fund	42	7,446,535	2,507,186	
Workers' Profit Participation fund		12,155,858	-	
Other liabilities	16.1	232,668	196,585	
		800,678,018	720,322,663	
16.1 Other liabilities include Rs. 232,668 (2020: Rs. 196,585) payable to Premier Financial Services (Private) Limited.				
17 ACCRUED MARK-UP				Rupees
Financial institutions	Note	4,816,295	7,145,156	
		4,816,295	7,145,156	
18 CONTINGENCIES AND COMMITMENTS				
18.1 Contingencies				
There is a contingent liability in respect of bank guarantees issued by the ETL's banker in the ordinary course of business in favor of Sui Southern Gas Company Limited, Excise and Taxation and HESCO aggregating to Rs. 50.236 million (2020: Rs. 44.792 million).				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

During prior years, ETL received letter dated March, 25, 2016 from the Regional Head of Employee Old Age Benefit Institution regarding payment of EOBI contribution. However, ETL, based on the legal advice, is of the view that after the transition of powers to provincial authorities, the ETL 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. ETL, 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. ETL 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. ETL, 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. ETL 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. However, High Court of Sindh has passed order subsequently ETL has file an appeal in Supreme Court of Pakistan. ETL, 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 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. ETL 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. ETL, 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, Honorable High Court of Sindh has passed the order against the petition No D-272 of 2017 filed by ETL for Input Claim on Packing Material for the period July-2016 to June-2018. Subsequently, ETL has filed an Appeal before the Supreme Court of Pakistan. ETL, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

The Modaraba has filed a suit against Samba Bank Limited 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.

18.2 Commitments

Commitment in respect of letters of credit as at the reporting date amounting to Rs. 269.2 million (2020: 34.1 million).

19 TANGIBLE

Operating fixed assets

Note	2021	2020
	Rupees	Rupees
19.1	<u>1,431,420,593</u>	<u>1,129,311,419</u>

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19.1

Particulars	2021							Rate
	Cost			Accumulated depreciation			Book value	
	As at July 01, 2020	Addition / *Transfer	Revaluation surplus	As at June 30, 2021	As at July 01, 2020	Charged during the year	As at June 30, 2021	
	Rupees -----							(%)
Owned								
Leasehold land	40,140,000	-	-	40,140,000	5,268,543	348,715	5,617,258	34,522,742
Factory building	354,452,561	14,887,303	119,662,485	489,002,349	211,611,720	14,587,457	226,199,177	262,803,172
Colony building	115,605,130	2,682,341	49,847,055	168,134,526	54,872,813	6,095,584	60,968,397	107,166,129
Plant & machinery	1,817,541,495	15,613,604	157,999,005	1,991,154,104	1,081,846,305	74,667,830	1,156,514,135	834,639,964
Gas generator	118,705,138	-	8,391,405	127,096,543	78,984,382	3,972,076	82,956,458	44,140,085
Electric installations	87,551,967	-	6,149,937	93,701,904	58,441,210	2,911,076	61,352,286	32,349,618
Office premises	25,450,810	-	-	25,450,810	13,016,497	1,162,919	14,179,416	11,271,394
Grid Station	32,179,692	-	-	32,179,692	13,027,139	1,915,255	14,942,394	17,237,298
Office equipments	1,281,725	368,500 (273,000)	-	1,377,225	1,074,224	114,907 (249,116)	940,015	437,210
Factory equipment	6,415,872	-	571,998	6,987,870	3,708,320	270,755	3,979,075	3,008,795
Computers	2,484,970	1,346,576	-	3,831,546	2,185,985	492,231	2,678,216	1,153,330
Motor vehicles	22,595,437	-	-	21,556,437	12,588,195	2,768,697 (759,256)	14,597,636	6,958,801
Furniture & fixtures	1,472,609	(1,039,000)	-	1,472,609	1,061,187	41,141	1,102,328	370,281
Right of use asset								
Lease Asset - Vehicle	7,338,860	5,915,700	-	13,254,560	2,389,690	1,285,620	3,675,310	9,579,250
Lease Asset - Machinery	37,167,775	35,990,419	836,917	73,995,111	996,410	7,216,178	8,212,588	65,782,524
Total	2,670,384,041	76,804,443	343,458,801	3,089,335,285	1,541,072,619	117,850,441	1,657,914,690	1,431,420,593
	(1,312,000)				(1,008,372)			

Particulars	2020							Rate
	Cost			Accumulated depreciation			Book value	
	As at July 01, 2019	Addition / *Transfer	Revaluation surplus	As at June 30, 2020	As at July 01, 2019	Charged during the year	As at June 30, 2020	
	Rupees -----							(%)
Owned								
Leasehold land	40,140,000	-	-	40,140,000	4,916,306	352,237	5,268,543	34,871,457
Factory building	353,467,212	985,349	-	354,452,561	195,673,126	15,938,594	211,611,720	142,840,841
Colony building	115,605,130	-	-	115,605,130	48,124,778	6,748,035	54,872,813	60,732,317
Plant & machinery	1,809,665,625	7,785,870	-	1,817,541,495	1,000,397,196	81,449,109	1,081,846,305	735,695,185
Gas generator	118,705,138	-	-	118,705,138	74,570,965	4,413,417	78,984,382	39,720,756
Electric installations	87,551,967	-	-	87,551,967	55,206,681	3,234,529	58,441,210	29,110,757
Office premises	25,450,810	-	-	25,450,810	11,853,581	1,162,916	13,016,497	12,434,313
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
Factory equipment	6,415,872	-	-	6,415,872	3,407,481	300,839	3,708,320	2,707,552
Computers	2,453,455	95,015 (63,500)	-	2,484,970	2,102,120	147,365 (63,500)	2,185,985	298,985
Motor vehicles	23,665,120	1,263,817 (2,333,500)	-	22,595,437	12,289,235	2,452,826 (2,153,866)	12,588,195	10,007,242
Furniture & fixtures	1,472,609	-	-	1,472,609	1,015,474	45,713	1,061,187	411,422
Right of use asset								
Lease Asset - Vehicle	5,418,000	4,133,960 (2,213,100)	-	7,338,860	1,785,726	1,553,247 (949,283)	2,389,690	4,949,170
Lease Asset - Machinery	-	37,167,775	-	37,167,775	-	996,410	996,410	36,171,365
Total	2,623,322,855	51,671,286	-	2,670,384,041	1,423,225,928	121,013,340	1,541,072,620	1,129,311,419
	(4,610,100)				(3,166,649)			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 19.1.1** Depreciation for the year has been allocated as follows:

	Note	2 0 2 1	Rupees	2 0 2 0
Modaraba business				
Administrative expense		1,472,238		1,461,968
Brokerage Business				
Administrative expense		1,177,510		1,199,082
Textile Business				
Cost of sale		112,166,226		116,214,640
Administrative expense		3,034,467		2,137,649
		117,850,441		121,013,339

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

	Note	2 0 2 1	Rupees	2 0 2 0
Factory building		51,931,925		42,814,835
Colony building		11,321,583		9,897,196
Plant & machinery		412,942,531		401,913,902
Gas generator		13,717,659		15,241,843
Electric installations		9,890,882		10,989,869
Factory equipment		1,379,097		1,532,330
Machinery -Right of use asset		64,945,605		36,171,365
		566,129,282		518,561,340

19.2 Fair value measurement

- 19.2.1** Fair value of factory building, colony building, plant and machinery, generators, electric installations and factory equipment was based on the valuation carried out on June 30,2021 by an independent valuer M/s Joseph Lobo (Private) Limited on the basis of market value.

- 19.2.2** 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 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.

Valuation techniques used to derive level 3 fair values

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

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

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

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

	Note	2 0 2 1	2 0 2 0
		Rupees	Rupees
Opening balance (level 3 recurring fair values)		843,405,617	888,756,276
Additions - Cost		51,604,023	45,043,645
Depreciation charge		(89,037,915)	(90,394,304)
Revaluation surplus		173,949,261	-
Closing balance (level 3 recurring fair values)		979,920,986	843,405,617

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

20 INTANGIBLE

Cost	20.1	10,000,000	10,000,000
Intangible asset transfer from capital work in progress	20.2	3,826,293	4,251,436
		13,826,293	14,251,436

- 20.1** This represents Trading Right Entitlement certificates (TREC) of Pakistan Stock Exchange Limited.

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

20.2 Intangible asset transfer from capital work in progress

Net carrying value basis

Opening book value		4,251,437	-
Additions (at cost)		-	4,475,196
Amortization charged		(425,144)	(223,760)
Closing net book value		3,826,293	4,251,436

Gross carrying value basis

Cost		4,475,196	4,475,196
Accumulated amortization		(648,903)	(223,760)
Net book value		3,826,293	4,251,436
Amortization rate per annum		10%	10%

21 CAPITAL WORK IN PROGRESS

Building	20.1	-	4,877,875
		4,877,875	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

21.1 The movement of capital work in progress is as follows:

	Balance as at July 01, 2020	Additions during the year	Transferred to operating fixed assets / Intangibles	Balance as at June 30, 2021
----- Rupees -----				
Building	4,877,875	11,891,769	(16,769,644)	-
	4,877,875	11,891,769	(16,769,644)	-
----- Rupees -----				
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

22 INVESTMENT PROPERTY

Particulars	2021							Rate
	Cost			Accumulated depreciation			Book value	
	As at July 01, 2020	Addition / Transfer	As at June 30, 2021	As at July 01, 2020	Charged during the year	As at June 30, 2021	As at June 30, 2021	
----- Rupees -----							(%)	
Office premises	2,400,000	-	2,400,000	1,048,333	120,000	1,168,333	1,231,667	5
	<u>2,400,000</u>	<u>-</u>	<u>2,400,000</u>	<u>1,048,333</u>	<u>120,000</u>	<u>1,168,333</u>	<u>1,231,667</u>	
2020								
Particulars	Cost			Accumulated depreciation			Book value	Rate
	As at July 01, 2019	Addition / Transfer	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 -----							(%)
Office premises	2,400,000	-	2,400,000	928,333	120,000	1,048,333	1,351,667	5
	<u>2,400,000</u>	<u>-</u>	<u>2,400,000</u>	<u>928,333</u>	<u>120,000</u>	<u>1,048,333</u>	<u>1,351,667</u>	

22.1 The fair value of investment property as at June 30, 2021 as per valuation report of independent valuer is Rs. 5,891,600.

23 LONG TERM INVESTMENT	Note	(Restated)	
		2021	2020
Investment in equity securities			
- Investments classified at fair value through profit and loss			
Listed securities	23.1.1	-	41,800
- Investments classified at fair value through other comprehensive income			
Unlisted securities	23.1.2	52,194,798	51,212,617
		<u>52,194,798</u>	<u>51,254,417</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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23.1 Investment in equity securities

23.1.1 Listed securities

2 0 2 1	2 0 2 0	Name of investee	Note	2 0 2 1	2 0 2 0
----- Number -----	----- Rupees -----			-----	-----
Financial services					
-	22,000	Javed Omer Vohra & Company Limited (par value Rs. 10 / share)	23.2.4	-	41,800
-----	-----	-----	-----	-----	-----
-	22,000			-	41,800

23.1.2 Unlisted securities

2 0 2 1	2 0 2 0	Name of investee	Note	2 0 2 1	2 0 2 0
----- Number -----	----- Rupees -----			-----	-----
(Restated)					
50,000	50,000	Sapphire Power Generation Limited	23.2.1	4,358,000	4,328,000
3,034,603	3,034,603	ISE Towers REIT Management Company Limited	23.2.2	47,794,997	46,884,616
78,150	78,150	Callmate Telips Telecom Limited	23.2.3	1	1
22,000	-	Javed Omer Vohra & Company Limited	23.2.4	41,800	-
-----	-----			-----	-----
3,184,753	3,162,753			52,194,798	51,212,617

- 23.2.1** Net assets value per share of Sapphire Power Generation Limited is Rs. 87.16 (2019: Rs. 86.56) as per financial statements as at June 30, 2020 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.
- 23.2.2** Net assets value per share of ISE Towers REITManagement Company Limited Rs.15.75 (June 30,2020:Rs. 15.45) as per financial statements as at March 31, 2021 audited by BDO Ebrahim & Company, Chartered Accountants.
- 23.2.3** The investee company is in the process of winding up, hence net assets value per share is not available.
- 23.2.4** The investee company has been de-listed in prior year. Therefore, the investment has been reclassified from listed securities to un-listed securities. Currently, the investment is carried at Rs. 1.90 per share (quoted price of last trading day before de-listing)

2 0 2 1	2 0 2 0
-----	-----
STORES AND SPARES	
Store in hand	43,805,958

	52,292,527



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

24.1 Stores and spares also includes items which may qualify to be a capital expenditures but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditures that are also capitalized in cost of respective assets.

	Note	2021	Rupees	2020
25 STOCK IN TRADE				
Raw material				
- in hand		131,617,935		228,688,274
Work in Process		28,099,416		14,635,008
Finished goods	25.1	<u>94,323,432</u>		64,329,826
		<u><u>254,040,783</u></u>		<u><u>307,653,108</u></u>

25.1 The carrying amount of finished goods includes inventories amounting to Rs. 0.903 million (2020: 61.950 million) which were carried at net realizable value.

26 TRADE DEBTS

Unsecured - considered good		359,364,543		117,911,649
Less: Provision for bad debts against local debtors		<u>(10,413,633)</u>		<u>(10,413,633)</u>
		<u><u>348,950,910</u></u>		<u><u>107,498,016</u></u>

27 Morabaha / Musharaka receivables-secured

Musharaka - considered good	26.1 &	8,634,174		53,074,682
Morabaha - considered doubtful	26.2	<u>17,380,055</u>		<u>17,380,055</u>
		<u><u>26,014,229</u></u>		<u><u>70,454,737</u></u>
Provision for non performing assets		<u>(17,380,055)</u>		<u>(17,380,055)</u>
		<u><u>8,634,174</u></u>		<u><u>53,074,682</u></u>

27.1 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 (2020: 12% to 16% per annum).

27.2 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.

28 SHORT TERM INVESTMENTS

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

Listed securities	28.1	<u>242,843,718</u>		<u>85,964,713</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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28.1 Listed securities

2 0 2 1	2 0 2 0	Name of investee	2 0 2 1	2 0 2 0
----- Number -----	----- Rupees -----			
Oil and gas				
-	20,775	Attock Refinery Limited	-	1,855,623
148,000	2,500	Oil & Gas Development Company Limited	14,064,440	272,500
-	40,000	Pakistan Refinery Limited	-	456,400
-	1,344	Pakistan State Oil Limited	-	212,567
-	2,000	National Refinery Limited	-	214,560
78,400	62,720	Sui Northern Gas Pipeline Limited	3,808,672	3,300,732
-	1,300	Pakistan Petroleum Limited	-	112,814
90,000	-	Byco Petroleum Pakistan Limited	1,044,900	-
833,002	-	Hascol Petroleum Limited	7,438,708	-
29,000	-	Hi-Tech Lubricants Limited	4,609,150	-
Food				
-	10,700	Engro Foods Limited	-	786,557
-	1,949	Matco Foods Limited	-	37,148
-	4,000	Treat Corporation Limited	-	71,440
-	56,650	Al Tahir Limited	-	976,080
21,000	600	Clover Pakistan Limited	1,363,740	57,024
678,000	-	Al-Shaheer Corporation Limited	13,512,540	-
211,113	-	Unity Foods Limited	9,398,751	-
Fertilizers				
35,000		Engro Fertilizers Limited	2,459,450	-
Chemicals				
-	12,500	Ghani Global Glass Limited	-	149,500
-	33,296	Ghani Gases Limited	-	523,746
15,000	77,560	Lotte Chemical Pakistan Limited	231,600	771,125
-	5,661	Engro Polymer and Chemical Limited	-	141,412
-	13,000	Nemir Resis Limited	-	80,340
-	19,500	Sardar Chemical Industries Limited	-	384,150
-	14,500	Sitara Peroxide Limited	-	295,945
-	20,000	Agritech Limited	-	93,600
Construction and materials				
12,500	5,000	Bestway Cement Limited	2,019,000	543,650
456,000	319,500	Dewan Cement Limited	5,134,560	2,485,710
-	14,578	D. G Khan Cement Company Limited	-	1,243,941



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2021	2020	Name of investee	2021	2020
Number	Rupees			
Construction and materials				
80,000	-	Fauji Cement Company Limited	1,840,000	-
360,500	5,000	Fly Cement Company Limited	7,671,440	45,250
4,400	2,000	Cherat Cement Company Limited	780,472	191,774
124,500	59,961	MapleLeaf Cement Limited	5,849,010	1,557,787
-	200	Lucky Cement Limited	-	92,316
1,756,500	2,095,963	Power Cement Limited	16,879,965	12,994,970
Transport				
808,433	392,420	Pakistan International Bulk Terminals Limited	9,199,968	3,453,296
Personal goods				
9,000	-	Nishat Mills Limited	839,700	-
Pharma and biotech				
18,339	19,705	The Searle Pakistan Limited	4,449,408	3,925,827
-	12,000	AGP Limited	-	1,316,880
-	200	Otsuka Pakistan Limited	-	67,600
Automobile and parts				
-	2,359	Ghandhara Nissan Limited	-	148,027
333,500	267,000	Ghani Automobile Limited	3,024,845	1,631,370
542	845	Millat Tractors Limited	585,149	596,705
-	2,500	Dewan Farooqui Motors Limited	-	13,000
-	700	Honda Atlas Car Pakistan Limited	-	135,576
-	1,360	The General Tyre and Rubber Company of Pakistan Limited	-	99,960
42,500	900	Ghandhara Industries Limited	11,858,350	108,900
Paper & Board				
59,400	59,400	Roshan Packages Limited	1,956,636	1,331,748
101,000	-	Merit Packaging Limited	1,783,660	-
Engineering				
-	105,200	Aisha Steel Limited	-	968,892
-	14,500	International Steel Limited	-	748,925
-	19,000	Huffaz Seamless Pipes Industries Limited	-	289,750
-	8,500	Amreli Steel Limited	-	277,400
27,500	-	Agha Steel Industries Limited	927,575	-
Textile Composites				
210,000	254,000	International Knitwear Limited	3,015,600	4,191,000
-	12,500	Amtex Limited	-	7,000
-	7,500	Chakwal Spinning Mills Limited	-	12,300
-	100	Suraj Cotton Mills Limited	-	16,499
241,500	-	Azgard Nine Limited	8,184,435	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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2 0 2 1	2 0 2 0	Name of investee	2 0 2 1	2 0 2 0
----- Number -----	----- Rupees -----			
Miscellaneous				
2,461	24,366	United Distributors Limited	123,665	810,169
32,000	-	Haydari Construction Company Limited	-	-
-	-	Siddiqu Sons Tin Plate Ltd.	-	-
-	-	United Brands Ltd	-	-
44,500	-	Pakistan Hotel Developers Limited	4,539,000	-
250,000	-	Pace Pakistan Limited	1,805,000	-
Sugar & Allied				
-	1,000	Imperial Sugar Limited	-	13,410
-	15,000	Haseeb Waqas Sugar Limited	-	30,600
Telecommunication				
709,500	725,000	Pakistan Telecommunication Company Limited	8,400,480	6,438,000
11,500	21,500	TRG Pakistan Limited	1,912,795	607,160
44,000	5,300	Netsol Technologies Limited	7,479,120	263,463
203,000	105,000	Worldcall Telecom Limited	803,880	91,350
10,000	-	EcoPack Limited	453,400	-
Modarabas				
38,000	-	First UDL Modaraba	380,000	-
Cable & electrical goods				
-	17,000	Pak Electron Limited	-	389,810
-	70,000	TPL Tracker Limited	-	361,900
474,750	-	Waves Singer Pakistan Limited	12,941,685	
Power Generation & Distribution				
1,275,000	595,000	K-Electric Limited	5,329,500	1,790,950
Insurance				
1,579,749	1,579,749	Premier Insurance Limited	8,688,653	7,898,745
-	10,000	Crescent Star Insurance Limited	-	18,800
Securities Companies				
1,801,453	1,787,953	Pakistan Stock Exchange Limited	40,190,416	17,700,735
Glass & Ceramics				
-	14,000	Baluchistan Glass Limited	-	90,860
-	1,300	Ghani Glass Limited	-	53,495
Real Estate				
-	10,000	Dolmen City REIT	-	108,900
Synthetic & Rayon				
-	1,000	Tri Star Polyester Limited	-	7,010
242,843,718				
85,964,713				



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	Rupees	2020
29 ADVANCES - CONSIDERED GOOD				
To employees		5,141,378		2,866,484
To supplier of goods		21,838,753		13,060,196
Against letter of credit	29.1	17,400,490		112,265
Others		-		4,039
		44,380,621		16,042,984
29.1	This represents advances against import of raw material and store and spares.			
30 TRADE DEPOSITS AND PREPAYMENTS				
Deposits		15,966,856		14,766,856
Margin deposit		77,302,836		63,407,734
Prepayments		415,242		412,671
		93,684,934		78,587,261
31 OTHER RECEIVABLES				
Receivable from clients	31.1	18,626,369		20,539,480
Dividend		119,000		-
Sale tax receivables		27,782,729		4,508,705
Cotton claims		100,588		99,918
Others		5,239,884		4,837,417
		51,868,570		29,985,520
31.1 Receivable from clients				
Considered good		18,626,369		20,539,480
Considered doubtful		12,500,000		12,500,000
		31,126,369		33,039,480
Less: Provision for doubtful debts		(12,500,000)		(12,500,000)
		18,626,369		20,539,480
32 TAX REFUND FROM GOVERNMENT AUTHORITIES				
Sales tax refundable		18,962,117		18,962,117
Income tax refundable		34,193,651		40,483,770
		53,155,768		59,445,887
33 TAXATION - NET				
Advance income tax		46,116,790		31,736,871
Less: Provision for taxation		(67,523,646)		(47,690,426)
		(21,406,856)		(15,953,555)
34 CASH AND BANK BALANCE				
Cash in hand		81,381		725,025
Bank balances				
-in current accounts		40,174,673		10,744,373
-in islamic accounts	34.1	83,776,073		89,479,798
		124,032,127		100,949,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Page 95
FOR THE YEAR ENDED JUNE 30, 2021

34.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 11.75% (2020: 5% to 11%) per annum.

	2021	Rupees	2020
35 INCOME			
Income from modaraba's business	35.1	72,239,194	15,067,718
Income from textile's business	35.2	<u>345,366,224</u>	<u>68,588,650</u>
		<u>417,605,418</u>	<u>83,656,368</u>

35.1 Income from modaraba's business

Profit on musharaka	2,669,092	12,992,030
Brokerage commission	3,085,336	504,670
Capital gain / (loss)	63,018,406	(3,138,959)
Dividends	3,466,359	1,709,977
Rentals	-	3,000,000
	<u>72,239,194</u>	<u>15,067,718</u>

35.2 Income from textile's business

Sales			
- Local	4,342,827,442	3,076,551,238	
- Raw Material Sales	-	7,868,417	
- Waste sales	125,623,668	93,988,223	
- Scrap Sales	<u>1,269,571</u>	<u>953,841</u>	
	<u>4,469,720,681</u>	<u>3,179,361,719</u>	
Commission to selling agent	(110,053,369)	(108,510,010)	
	<u>4,359,667,312</u>	<u>3,070,851,709</u>	
Cost of sale	35.3	<u>(4,014,301,088)</u>	<u>(3,002,263,059)</u>
		<u>345,366,224</u>	<u>68,588,650</u>

35.3 Cost of sale

Raw material consumed	35.3.1	3,398,878,147	2,372,724,053
Store consumed		43,592,918	36,416,653
Packing material consumed		44,437,797	30,593,730
Salaries, wages and other benefits		206,060,038	180,610,410
Fuel and power		234,143,111	224,053,163
Insurance		9,506,341	8,258,632
Repair & maintenance		4,039,514	3,170,260
Depreciation	19.1.1	112,166,226	116,214,640
Other manufacturing overheads		4,935,010	5,661,681
		<u>4,057,759,102</u>	<u>2,977,703,222</u>

Work in Process

-opening stock	14,635,008	17,906,448
-closing Stock	(28,099,416)	(14,635,008)
Cost of goods manufactured	<u>4,044,294,694</u>	<u>2,980,974,662</u>

Finished goods

-opening stock	64,329,826	85,618,223
-closing Stock	(94,323,432)	(64,329,826)
	<u>4,014,301,088</u>	<u>3,002,263,059</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2 0 2 1	Rupees	2 0 2 0
35.3.1 Raw material consumed				
Opening stock		228,688,274		293,733,437
Purchased during the year		3,301,807,808		2,307,678,890
		<u>3,530,496,082</u>		2,601,412,327
Closing stock		(131,617,935)		(228,688,274)
		<u>3,398,878,147</u>		<u>2,372,724,053</u>

36 OPERATING EXPENSES

Salaries, allowances and benefits	36.2	28,163,239	25,271,862
Director & CEO fee		4,533,497	2,153,226
Travelling, conveyance and entertainment		1,363,235	1,881,156
Telephone and postage		1,626,618	1,022,538
Rent, rates and taxes		4,515,908	1,771,861
Electricity		1,209,427	1,283,652
Insurance		1,327,399	1,216,668
Printing, stationery and advertising		1,076,847	1,362,502
Fees and subscriptions		5,940,946	2,056,359
Vehicle running and maintenance		4,846,164	4,702,812
Depreciation	18.1.1 & 20	5,804,215	4,918,699
Facilities and utilities		4,368,040	4,216,865
Repair and maintenance		3,974,042	3,074,835
Office Rent		3,635,294	-
Annual review meeting		87,779	205,065
Auditors' remuneration	36.3	893,850	755,600
Legal and professional		2,455,102	3,445,917
Shariah Advisor		225,000	200,000
Training and development		97,500	30,000
PSX & SECP charges		738,610	446,479
Withholding & CVT tax		41,876	243,840
Amortization Expense		425,144	223,760
Cartage expense		98,350	58,820
Others		352,483	378,579
		<u>77,800,565</u>	<u>60,921,095</u>

36.1 Remuneration of officers and other employees of Modaraba

	2 0 2 1		2 0 2 0	
	Officers	Other Employees	Officers	Other Employees
	Rupees		Rupees	
Salaries and allowances	2,939,600	2,258,300	2,304,000	1,831,260
Leave fare and encashments	432,000	136,450	46,800	183,400
Expenses reimbursed:				
- Medical	250,997	285,496	207,948	240,352
	<u>3,622,597</u>	<u>2,680,246</u>	<u>2,558,748</u>	<u>2,255,012</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Page 97
FOR THE YEAR ENDED JUNE 30, 2021

36.2 Salaries, allowances and benefits include provision for gratuity of Rs. 762,371 (2020: Rs. 1,017,777). Officers are also provided with free use of the Modaraba maintained cars.

	2021	Rupees 2020
36.3 Auditor's remuneration		
Audit fee	614,800	614,800
Half yearly review	30,000	26,500
Other fees	249,050	114,300
	893,850	755,600
	=====	=====

37 DISTRIBUTION AND SELLING EXPENSES

Freight loading and unloading	15,488,060	15,865,902
Clearing forwarding exports	2,424,327	57,280
	17,912,387	15,923,182
	=====	=====

38 FINANCIAL CHARGES

Mark up / interest on:

Long term loan - secured	5,948,012	16,419,556
Short term loan & running finance - secured	23,313,986	26,810,155
Finance lease	6,284,625	598,815
Bank charges	4,811,965	5,416,958
	40,358,588	49,245,484
	=====	=====

39 OTHER INCOME

Profit on PLS deposits	828,078	239,344
Gain on sale of fixed assets	637,373	1,322,860
Interest income	1,260,418	1,692,930
	2,725,869	3,255,134
	=====	=====

40 OTHER CHARGES

Exchange loss on import	-	345,600
Workers' profit participation fund	12,155,858	-
	12,155,858	345,600

41 MODARABA MANAGEMENT COMPANY'S FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, a management fee at the rate of 10% of annual profits is payable to the Management Company. Accordingly, the modaraba has recognised a liability of Rs. 1.889 million for the year (June 30, 2020 : Rs. Nil). Furthermore during the year, an amount of Rs. 0.246 million was charged on account of sales tax on management fee (June 30, 2020 : Rs. Nil) levied through Sindh Sales Tax on Services Act, 2011.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

42 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 made certain changes to the Workers' Welfare Fund Ordinance, 1971. As a result of these amendments, Workers' Welfare Fund (WWF) is payable at the rate of 2% of the profit before taxation as per the financial statements or taxable income as per the return of income, whichever is higher. The Sindh Assembly, on June 04, 2015, passed The Sindh Workers Welfare Fund Act, 2014 (the SWWF Act). As per Section 5(1) of the WWF Act, contributions are payable with effect from the date of closing of account on or after December 31, 2013, that corresponds to Modaraba's accounting year ended on June 30, 2014. During the year, the management has made a provision of Rs. 4.954 million (June 30, 2020: Nil) in respect of this liability. Moreover, liability in respect of WWF under the repealed WWF Ordinance and the SWWF Act up to June 30, 2021 has been recorded and disclosed in the financial statement amounting to Rs. 7.447 million (June 30, 2020: 2.507 million).

43 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 2020 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 2016 and 2018 is in process under section 177 of the Ordinance which is not yet finalized.

However, the Finance Act, 2021 whereby Clause 100 of the Part 1 of Second Schedule of the Income Tax Ordinance, 2001 relating to the income tax exemption available to Modarabas has been withdrawn. Accordingly, no provision for income tax is required in the annual accounts for year ended June 30, 2021.

	Note	2021	2020
		Rupees -----	Rupees -----
44 EARNINGD / (LOSS) PER CERTIFICATE - BASIC AND DILUTED			
Profit / (Loss) for the year		261,344,845	(47,059,324)
Weighted average number of certificates outstanding during the year		----- Numbers -----	----- Numbers -----
Earnings / (loss) per certificate - basic and diluted		4.98	(0.90)

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

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45 RISK MANAGEMENT POLICIES AND OBJECTIVES

Financial risk management

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

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

Credit and concentration risk

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

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

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

	Note	2021	Rupees	2020
Investment		295,038,516		137,219,130
Trade debts		348,950,910		107,498,016
Morabaha/Musharaka receivables-secured		8,634,174		53,074,682
Advances-considered good		46,890,621		18,552,984
Trade deposits and prepayments		103,198,634		84,371,961
Other receivables		51,869,312		29,985,520
		854,582,167		430,702,293

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.



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Particulars	2021			Total	
	Less than one year	Over one year but less than five years	Over five years		
----- Rupees -----					
Assets					
Long term investments	-	52,194,798	-	52,194,798	
Trade debts	348,950,910	-	-	348,950,910	
Morabaha & musharaka receivables	8,634,174	-	-	8,634,174	
Short term investments	242,843,718	-	-	242,843,718	
Advances	44,380,621	2,510,000	-	46,890,621	
Trade deposits	93,684,934	9,513,700	-	103,198,634	
Other receivables	51,869,312	-	-	51,869,312	
Bank balances	124,032,127	-	-	124,032,127	
	914,395,797	64,218,498	-	978,614,295	
Liabilities					
Long term financing	-	37,408,022	-	37,408,022	
Liabilities against asset subject to finance lease	14,977,285	53,999,829	-	68,977,114	
Current portion of long term liabilities	65,613,948	-	-	65,613,948	
Short term borrowings	29,043,486	-	-	29,043,486	
Creditors, accrued and other liabilities	800,678,018	-	-	800,678,018	
Accrued mark up	4,816,295	-	-	4,816,295	
Unclaimed profit distribution	29,553,525	-	-	29,553,525	
	944,682,556	91,407,851	-	1,036,090,407	
Net balance	(30,286,759)	(27,189,353)	-	(57,476,113)	

Particulars	2020 (Restated)			Total	
	Less than one year	Over one year but less than five years	Over five years		
----- Rupees -----					
Assets					
Long term investments	-	51,212,617	-	51,212,617	
Trade debts	107,498,016	-	-	107,498,016	
Morabaha & musharaka receivables	53,074,682	-	-	53,074,682	
Short term investments	86,006,513	-	-	86,006,513	
Advances	16,042,984	2,510,000	-	18,552,984	
Trade deposits	78,174,590	6,197,371	-	84,371,961	
Other receivables	29,985,520	-	-	29,985,520	
Bank balances	100,949,196	-	-	100,949,196	
	471,731,500	59,919,988	-	531,651,488	
Liabilities					
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	
	894,955,215	71,855,007	-	966,810,222	
Net balance	(423,223,713)	(11,935,018)	-	(435,158,732)	

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Market risk

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

Operational Risk

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

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

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- 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.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

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



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46.1 Financial instruments by category	Note	(Restated)		
		2 0 2 1	Rupees 2 0 2 0	
Financial assets				
At amortized cost				
Morabaha/Musharaka receivables		8,634,173	53,074,682	
Trade debts		348,950,910	107,498,016	
Advances		46,890,621	18,552,984	
Trade deposits		103,198,634	84,371,961	
Other receivables		51,869,312	29,985,520	
Bank balances		124,032,127	100,949,196	
Financial assets at fair value through profit or loss	Note	(Restated)		
		2 0 2 1	Rupees 2 0 2 0	
Short term investments		242,843,718	86,006,513	
Financial assets at cost				
Long term investments		52,194,798	51,212,617	
		978,614,294	531,197,018	
Financial liabilities				
Financial liabilities at amortized cost				
Security Deposit		-	200,000	
Long term financing		37,408,022	37,648,555	
Liabilities against asset subject to finance lease		53,999,829	34,206,452	
Short term borrowing		29,043,486	129,307,874	
Current portion of long term liabilities		80,591,233	8,419,173	
Creditors, accrued and other liabilities		800,678,018	720,322,663	
Accrued mark up		4,816,295	7,145,156	
Unclaimed profit distribution		29,553,525	29,560,348	
		1,036,090,408	966,810,220	
On balance sheet gap		(57,476,113)	(435,158,731)	

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47 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.

Particulars	2021				Total
	Upto one month	over one month to one year	over one year to five years	over five years	
Rupees					
Assets					
Long term investments	-	-	52,194,798	-	52,194,798
Trade debts	-	348,950,910	-	-	348,950,910
Morabaha & musharaka receivables	-	8,634,174	-	-	8,634,174
Short term investments	-	242,843,718	-	-	242,843,718
Advances	-	44,380,621	2,510,000	-	46,890,621
Trade deposits	-	93,684,934	9,513,700	-	103,198,634
Other receivables	-	51,869,312	-	-	51,869,312
Bank balances	-	124,032,127	-	-	124,032,127
	-	914,395,797	64,218,498	-	978,614,294
Liabilities					
Long term financing	-	-	37,408,022	-	37,408,022
Deferred capital grant	-	-	-	-	-
Liabilities against asset subject to finance lease	-	14,977,285	53,999,829	-	68,977,114
Deferred liabilities	-	-	-	-	-
Short term borrowings	-	29,043,486	-	-	29,043,486
Current portion of long term liabilities	-	65,613,948	-	-	65,613,948
Creditors, accrued and other liabilities	-	800,678,018	-	-	800,678,018
Accrued mark up	-	4,816,295	-	-	4,816,295
Current portion of deferred capital grant	-	-	-	-	-
Unclaimed profit distribution	-	29,553,525	-	-	29,553,525
	-	950,322,483	91,407,851	-	1,036,090,408
Net balance	-	(30,286,760)	(27,189,353)	-	(57,476,113)

Particulars	2020 (Restated)				Total
	Upto one month	over one month to one year	over one year to five years	over five years	
Rupees					
Assets					
Deferred cost	-	-	-	-	-
Long term investments	-	-	51,212,617	-	51,212,617
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	6,197,371	-	84,371,961
Other receivables	-	29,985,520	-	-	29,985,520
Bank balances	-	100,949,196	-	-	100,949,196
	-	471,689,700	59,919,988	-	531,609,688
Liabilities					
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
Short term borrowings	-	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	-	966,810,221
Net balance	(200,000)	(423,065,513)	(35,923,736)	-	(435,200,533)



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48 YIELD / PROFIT RATE RISK EXPOSURE

Description	Effective yield / profit risk % age	2021						Total	
		Yield / profit bearing maturing			Non yield / profit bearing maturing				
		Within one year	After one year	Sub-total	Within one year	After one year	Sub-total		
Rupees									
Financial assets									
Long term Investments	-	-	-	-	52,194,798	52,194,798	52,194,798	52,194,798	
Trade debts	-	-	-	348,950,910	-	348,950,910	348,950,910	348,950,910	
Morabaha / Musharika receivables	12% to 16%	8,634,174	-	8,634,174	-	-	-	8,634,174	
Short term Investments	-	-	-	242,843,718	-	242,843,718	242,843,718	242,843,718	
Advances	-	-	-	44,380,621	2,510,000	46,890,621	46,890,621	46,890,621	
Trade deposits	-	-	-	93,269,692	9,513,700	102,783,392	102,783,392	102,783,392	
Other receivables	-	-	-	51,869,312	-	51,869,312	51,869,312	51,869,312	
Bank balances	3.5% to 11.75%	165,854,860	-	165,854,860	40,256,054	-	40,256,054	206,110,914	
		174,489,034	-	174,489,034	821,570,308	64,218,498	885,788,806	1,060,277,840	
Financial Liabilities									
Security deposit	-	-	-	-	-	-	-	-	
Long term financing	-	37,408,022	37,408,022	-	-	-	-	37,408,022	
Liabilities against asset subject to finance lease	-	53,999,829	53,999,829	-	-	-	-	53,999,829	
Short term borrowings	29,043,486	-	29,043,486	-	-	-	-	29,043,486	
Current portion of long term liabilities	80,591,233	-	80,591,233	-	-	-	-	80,591,233	
Creditors, accrued and other liabilities	-	-	-	800,678,018	-	800,678,018	800,678,018	800,678,018	
Accrued markup	-	-	-	4,816,295	-	4,816,295	4,816,295	4,816,295	
Unclaimed profit distribution	-	-	-	29,553,525	-	29,553,525	29,553,525	29,553,525	
	109,634,719	91,407,851	201,042,570	835,047,837	-	835,047,838	-	1,036,090,408	
On balance sheet gap		64,854,315	(91,407,851)	(26,553,536)	(13,477,529)	64,218,498	50,740,969	24,187,432	

- 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 % age	2020 (Restated)						Total	
		Yield / profit bearing maturing			Non yield / profit bearing maturing				
		Within one year	After one year	Sub-total	Within one year	After one year	Sub-total		
Rupees									
Financial assets									
Long term Investments	-	-	-	-	401,254,417	32,187,831	32,187,831	32,187,831	
Trade debts	-	-	-	107,498,016	-	107,498,016	107,498,016	107,498,016	
Morabaha/Musharika 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	85,964,713	
Advances	-	-	-	16,042,984	2,510,000	18,552,984	18,552,984	18,552,984	
Trade deposits	-	-	-	78,174,590	5,784,700	83,959,290	83,959,290	83,959,290	
Other receivables	-	-	-	29,985,520	-	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	
Financial Liabilities									
Security deposit	-	-	-	200,000	-	-	-	200,000	
Long term financing	-	37,648,555	37,648,555	-	-	-	-	37,648,555	
Liabilities against asset 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	
Creditors, accrued and other liabilities	-	-	-	720,322,663	-	720,322,663	720,322,663	720,322,663	
Accrued markup	-	-	-	7,145,156	-	7,145,156	7,145,156	7,145,156	
Unclaimed profit distribution	-	-	-	29,560,348	-	29,560,348	29,560,348	29,560,348	
	137,727,047	71,855,007	209,582,054	757,228,167	-	757,028,167	-	966,810,221	
On balance sheet gap		4,827,433	(71,855,007)	(67,027,574)	(428,092,946)	40,482,531	(387,410,415)	(454,637,989)	

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49 SEGMENT INFORMATION

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

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

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

Description	2021						2020
	Musharaka facility	Brokerage operations	Capital market	Textile business	Others	Total	Total
Rupees							
Segment revenues	2,669,093	3,085,336	66,484,765	4,359,667,312	2,725,869	4,434,632,374	3,092,678,224
Segment result	2,669,093	(3,164,046)	66,484,765	345,366,224	2,725,869	414,081,905	86,911,502
Unallocated cost							
Operating expenses						(71,551,183)	(60,921,095)
Distribution and selling expenses						(17,912,387)	(15,923,182)
Financial charges						(40,358,588)	(49,245,484)
Other charges						(12,155,858)	(345,600)
Management fee with sales tax						(2,134,663)	-
Workers welfare fund						(4,954,349)	-
Profit / (Loss) before taxation						265,014,877	(39,523,859)
Taxation						(3,670,031)	(7,535,465)
Profit / (Loss) for the year						261,344,846	(47,059,324)
Other information							
Segment assets	8,634,174	20,526,369	317,748,256	2,315,469,969	1,231,667	2,663,610,435	1,971,708,779
Unallocated assets	-	-	-	-	-	112,484,921	129,126,630
Total assets	8,634,174	20,526,369	317,748,256	2,315,469,969	1,231,667	2,776,095,356	2,100,835,409
Segment liabilities	-	15,628,272	-	1,151,828,389	-	1,167,456,661	1,054,148,932
Unallocated liabilities	-	-	-	-	-	46,839,423	39,452,791
Total liabilities	-	15,628,272	-	1,151,828,389	-	1,214,296,084	1,093,601,723
						1,561,799,272	1,007,233,684

50 TRANSACTIONS WITH RELATED PARTIES

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

50.1 Balance outstanding at year end

Modaraba Management Company

- Current account payable	232,668	196,585
Modaraba Management Remuneration	1,889,082	196,585

Receivable from wholly owned subsidiary company

10,455,064

690,039

Other related parties (other than key management personnel)

- Deferred liability staff gratuity	5,710,591	4,551,260
- Brokerage house clients receivables	62,600	19,004
- Receivables	349,099	349,099
- Trade and other payable	24,239,196	13,214,702
- Loan and advances	-	12,260,196



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	Note	2 0 2 1	Rupees	2 0 2 0
50.2 Transactions during the year				
Modaraba Management Company				
- Facilities & services and electricity		4,368,040	4,216,865	
Other related parties				
Services acquired		544,160	539,729	
Brokerage commission earned		478,128	205,309	
Insurance Claim receivable		141,843	161,990	
Services rendered		29,921,929	23,075,888	
Contribution towards employees'		4,611,121	4,399,887	
Profit on Subordinated loan from Sponsor		11,637,351	8,752,372	
Contribution to staff gratuity fund		762,371	1,017,777	

51 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	2021 Rupees
Current assets			
Cash and bank balances	As per book value	51.1	83,451,388
Trade receivables	Book Value less overdue for more than 14 days		207,843
Investment in listed securities in the name of brokerage house	Securities marked to market less 15% discount		106,635,382
Securities purchased for client			7,097,311
			197,391,924
Current Liabilities			
Trade payables	As per book value		11,455,285
Other payables	As per book value		38,084,112
			49,539,397
Net Capital balances as at June 30, 2021			
51.1 Cash and bank balance			
Bank balance pertaining to brokerage house			65,631,978
Bank balance pertaining to clients			17,619,410
			83,451 383

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52. COMPUTATION OF LIQUID CAPITAL

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	6,443,380	6,443,380	-
1.2	Intangible Assets	-	-	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
Investment in Debt Securities				
If listed than:				
i.	5% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
ii.	7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
If unlisted than:				
i.	10% of the balance sheet value in the case of tenure upto 1 year.	-	-	-
ii.	12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
1.4	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
Investment in Equity Securities				
1.5	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.	161,149,390	56,751,990	104,397,400
	ii. If unlisted, 100% of carrying value.	52,194,798	52,194,798	-
	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.	-	-	-
1.5	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	-
Investment in associated companies/undertaking				
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.	1,350,000	-	1,350,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	15,007,098	15,007,098	-
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	Amount receivable against Repo financing. <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	211,396	-	211,396
	ii. Receivables other than trade receivables	11,734,045	11,734,045	-
Receivables from clearing house or securities exchange(s)				
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.	-	-	-



Page 108 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEAR ENDED JUNE 30, 2021

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Receivables from customers			
1.17	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. Incase receivables are against margin trading, 5% of the net balance sheet value.	-	-	-
	<i>ii. Net amount after deducting haircut</i>	-	-	-
	iii. Incase receivalbes are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	<i>iii. Net amount after deducting haricut</i>	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	50,850	-	50,850
	<i>iv. Balance sheet value</i>			
	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.	18,575,519	5,508,058	5,508,058
	<i>v. Lower of net balance sheet value or value determined through adjustments</i>			
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>			
	Cash and Bank balances			
1.18	I. Bank Balance-proprietary accounts	65,831,978	-	65,831,978
	ii. Bank balance-customer accounts	17,619,410	-	17,619,410
	iii. Cash in hand	-	-	-
1.19	Total Assets	701,942,864	499,414,369	194,969,092
	2. Liabilities			
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	15,628,272	-	15,628,272
	Current Liabilities			
2.2	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	33,911,125	-	33,911,125
	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	-	-	-
	Non-Current Liabilities			
2.3	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituition: 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	5,710,591	-	5,710,591
	<i>iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:</i>			
	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 Page 109
FOR THE YEAR ENDED JUNE 30, 2021

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Subordinated Loans			
2.4	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: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. 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. ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	55,249,988	-	55,249,988
3.	Ranking Liabilities Relating to :			
3.1	Concentration in Margin Financing The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	Concentration in securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	Net underwriting Commitments (a) in the case of right issue : 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) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuuurrency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-



Page 110 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
FOR THE YEAR ENDED JUNE 30, 2021

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	Opening Positions in futures and options			
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	-	-	-
	Short sell positions			
3.10	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	-	-
		646,692,876	Liquid Capital	139,719,104
	Calculations Summary of Liquid Capital			
(i)	Adjusted value of Assets (serial number 1.19)			194,969,092
(ii)	Less: Adjusted value of liabilities (serial number 2.5)			(55,249,988)
(iii)	Less: Total ranking liabilities (series number 3.11)			-
				139,719,104

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 CONSOLIDATED FINANCIAL STATEMENTS *Page 111*
FOR THE YEAR ENDED JUNE 30, 2021

53 NUMBER OF EMPLOYEES

Total number of employees of the Group as at June 30, 2021 are 581 (2020: 573). Average number of employees of the Group 592 (2020: 589).

54 AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 04, 2021.

54.1 The Board of Directors of the Group has approved dividend at the rate of Re.0.50 per certificate (2021: Re. Nil per certificate) for the year ended June 30, 2021, resulting in a total distribution of profit amounting to Rs. 26.22 million (2020: Rs. Nil), in its meeting held on October 04, 2021 which is more than 90% of the profit for the year ended June 30, 2021, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.

55 GENERAL

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

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

Qazi Obaid Ullah
Chief Financial Officer

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

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

Qaiser Ahmed Magoon
Director
Premier Financial
Services (Private) Limited



FIRST EQUITY MODARABA NOTICE OF TRANSFER BOOK CLOSURE AND 21TH ANNUAL REVIEW MEETING

Schedule of 21st Annual Review Meeting

The 21st Annual Review Meeting (ARM) of certificate holders of First Equity Modaraba (FEM) will be held on Tuesday, December 21, 2021 at 11.00 a.m through video link from the Modaraba registered office B-1004 Lakson Square Building # 3 Sarwar Shaheed Road Karachi.

Normal Business at ARM

To review the performance of the Modaraba for the year ended June 30, 2021.

Profit Distribution

The Board of Directors of the Premier Financial Services (Pvt) Ltd the managers of FEM in its meeting held on October 04, 2021 approved a cash Dividend @ 5.00% (Rs 0.50 per certificate of Rs 10.00 each) for the year ended June 30, 2021

Book Closure

The certificate transfer book of the FEM shall remain closed from Saturday, December 11, 2021 to Monday, December 20, 2021 (both days inclusive). All transfers received by our certificate Registrar M/s THK Associates (Pvt) Ltd. Plot # 32C, 2 Jami Commercial Street 11, D.H.A. Phase 7, Karachi before the close of business on Friday, December 10, 2021 will be treated valid.

All the Certificate holders are advised to check their status on Active Taxpayers List (ATL) to avail the lower rate of tax deduction. In case of joint account holders, please intimate proportion of shareholding of each holder to be treated individually as either filer or non-filer and tax will be deducted on the basis of shareholding. In case of no notification, each joint holder shall be assumed to have an equal number of shares.

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 to check their names in the ATL, before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Modaraba or its Registrar. The certificates holders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to M/s THK Associates (Pvt) Ltd, by the first day of Book Closure.

Dividends Payment Through E – Dividend Mandate

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to certificates holders only through electronic mode directly into the bank account, designated by the entitled certificates holders.

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

On behalf of the Board

Qazi Obaid Ullah
Company Secretary

October 04 2021
Karachi

فرست ایکیوٹی مضاربہ

نوش برائے نفع کی تقسیم، ٹرانسفر بک بند ہونا اور 21 ویں سالانہ جائزہ مینگ

انفرادی ٹھفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ مضاربہ کو یا پھر اس کے رجسٹر کو اپنے شناختی کارڈ کی کاپی جمع کرائیں، اگر ابھی تک جمع نہ کرائی ہو۔ انفرادی نوعیت کے علاوہ دیگر سرٹھفکیٹ ہولڈرز کیلئے، چینگ کامنل NTN نمبر تیج کرنے کے ذریعے کیا جائے گا، لہذا CDC اکاؤنٹس کے حامل کارپوریٹ شیر ہولڈرز حصہ داران سے ان کیمفاد میں درخواست کی جاتی ہے کہ وہ NTN کی کاپی فراہم کریں۔ ٹھفکیٹ ہولڈرز کو شناختی کارڈ یا NTN ٹھفکیٹ ہیچھے وقت، جیسا بھی معاملہ ہو، اپنے متعلقہ فولونبرز کا حوالہ دینا ضروری ہے۔

ڈیویڈ آمدنی سے وہ ہولڈنگ ٹکس کی چھوٹ کی صرف اس صورت میں اجازت دی جائے گی جب کتاب بند ہونے کے پہلے دن تک ٹکس ٹھفکیٹ کی کاپی میسر ZTHK ایسوی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کی جائے۔

E ڈیویڈ مینڈیٹ کے ذریعے ڈیویڈ کی ادائیگی: کمپنیز ایکٹ 2017 کے سیکشن 242 اور سرکلر نمبر 18/2017 کے مطابق، ایک لسٹ کمپنی، ٹھفکیٹ ہولڈرز کو نقد ڈیویڈ صرف الیکٹر انک موڈ کے ذریعے براہ راست پینک اکاؤنٹ میں ادا کرنے کی ضرورت ہے، جو کہ ٹھفکیٹ ہولڈرز کی طرف سے نامزد کیا گیا ہے۔

مذکورہ بالا قانون کی تعمیل میں، اپنا منافع براہ راست اپنے پینک اکاؤنٹ میں وصول کرنے کیلئے آپ مضاربہ کو معلومات فراہم کریں یا اپنے بروکر زکوار/ یا میسر ZTHK ایسوی ایٹس (پرائیویٹ) لمیٹڈ کو ارسال کریں۔

بورڈ کی جانب سے

قاضی عبد اللہ
کمپنی سیکریٹری

4 اکتوبر 2021ء

کراچی



فرست ایکیوٹی مضاربہ

نوٹس برائے نفع کی تقسیم، ٹرانسفر بک بند ہونا اور 21 ویں سالانہ جائزہ میٹنگ

21 ویں سالانہ جائزہ میٹنگ کا شیدول:

فرست ایکیوٹی مضاربہ (ایف ای ایم) کے حصہ داران کی ایسویں سالانہ جائزے کی میٹنگ (اے آر ایم) بروز منگل مورخہ 21 دسمبر 2021ء کو صبح 1100 بجے بذریعہ ویڈیو لینک مضاربہ کے رجسٹرڈ آفس 4-B-1004، لیکن اسکواہر بلڈنگ نمبر 3، سرور شہید روڈ، کراچی میں منعقد ہوگی۔

عام کاروبار:

اختتامی سال 30 جون 2021ء کیلئے مضاربہ کی کارکردگی کا جائزہ لینا۔

نفع کی تقسیم:

پریمیئر فناشل سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز FEM کے نیجرز نے 04 اکتوبر 2021 کو منعقدہ میٹنگ میں اختتامی سال 30 جون 2021 کے لیے 5.00% فیصد پر (ہر ایک کے لیے 10.00 روپے کے حصہ 0.50 روپے) نقد منافع منقسمہ کی منظوری دی۔

بک بند ہونا:

FEM کی "ٹیفکیٹ ٹرانسفر بک" بروز ہفتہ 11 دسمبر 2021 سے پیر 20 دسمبر 2021 (بشمول دونوں ایام) بند رہے گی۔ تمام تر ٹرانسفرز جو کہ ہمارے سرٹیفکیٹ رجسٹر امیسرز میٹنگ کے ایسوی ایٹیس (پرائیویٹ) لمیٹڈ پلاٹ نمبر 32C، 2 جامی کرشل اسٹریٹ 11، ڈی ایچ اے فیز 7، کراچی کی جانب سے بروز جمعہ 10 دسمبر 2021 سے پہلے یعنی کاروبار کی بندش سے پہلے پہلے وصول کئے جائیں گے صرف انہیں درست تصور کیا جائے گا۔

تمام حاملان ٹیفکیٹ کو مشورہ دیا جاتا ہے کہ وہ ٹیکس کٹوتی کی کم شرح حاصل کرنے کے لیے فعال ٹیکس دہندگان کی فہرست (اے ٹی ایل) پر اپنا اسٹیٹیشن چیک کریں۔ جو اسٹ اکاؤنٹ ہولڈر زکی صورت میں، براہ کرم ہر حامل ٹیفکیٹ کے شیئر ہولڈنگ کا مباشرت تناسب انفرادی طور پر یا تو فاکر یا نافاکر سمجھا جائے اور شیئر ہولڈنگ کی بنیاد پر ٹیکس کی کٹوتی کی جائے گی۔ نوٹیفیکیشن نہ ہونے کی صورت میں، ہر مشرتر کے حصہ کی مساوی تعداد فرض کی جائے گی۔

**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2021**

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Number of Certificate Holders	Certificate Holding From	Certificate Holding To	Total Certificates Held	PERCENTAGE
1848	1	100	102427	0.1953
1001	101	500	252728	0.4819
1051	501	1000	718225	1.3696
655	1001	5000	1456713	2.7779
139	5001	10000	1049586	2.0015
46	10001	15000	590823	1.1267
23	15001	20000	416217	0.7937
14	20001	25000	319386	0.6090
12	25001	30000	331567	0.6323
6	30001	35000	194470	0.3708
6	35001	40000	225158	0.4294
4	40001	45000	169734	0.3237
10	45001	50000	491428	0.9371
7	50001	55000	366001	0.6979
6	55001	60000	345872	0.6596
3	60001	65000	187550	0.3576
5	65001	70000	329620	0.6286
2	70001	75000	147100	0.2805
3	75001	80000	234217	0.4466
2	80001	85000	163334	0.3115
1	90001	95000	93010	0.1774
2	95001	100000	200000	0.3814
2	100001	105000	203456	0.3880
4	105001	110000	431938	0.8237
1	110001	115000	111000	0.2117
3	115001	120000	353542	0.6742
1	120001	125000	125000	0.2384
1	125001	130000	128875	0.2458
2	130001	135000	269160	0.5133
3	135001	140000	410380	0.7826
2	145001	150000	297356	0.5670
1	150001	155000	152812	0.2914
2	155001	160000	319516	0.6093
1	160001	165000	162745	0.3103
2	170001	175000	342130	0.6524
1	185001	190000	187500	0.3576
1	190001	195000	191195	0.3646
1	195001	200000	199000	0.3795
1	200001	205000	202262	0.3857
1	205001	210000	205994	0.3928
1	220001	225000	221500	0.4224
1	225001	230000	228031	0.4348
1	245001	250000	247000	0.4710
2	250001	255000	503916	0.9609
1	265001	270000	267198	0.5095
1	280001	285000	280835	0.5355
1	285001	290000	289081	0.5513
1	290001	295000	292214	0.5572
1	300001	305000	301000	0.5740
1	305001	310000	308197	0.5877
1	340001	345000	343000	0.6541
1	395001	400000	396000	0.7551
1	410001	415000	411184	0.7841
1	470001	475000	471538	0.8992
1	505001	510000	509750	0.9721
1	635001	640000	636500	1.2138
1	670001	675000	671550	1.2806
1	695001	700000	699694	1.3343
1	750001	755000	752000	1.4340
1	945001	950000	948500	1.8087
1	995001	1000000	1000000	1.9069
1	1320001	1325000	1321804	2.5206
1	1340001	1345000	1340500	2.5563
1	1845001	1850000	1848000	3.5240
1	3020001	3025000	3023697	5.7660
1	3235001	3240000	3236500	6.1718
1	3475001	3480000	3478000	6.6323
1	4675001	4680000	4680000	8.9245
1	5240001	5245000	5244000	10.0000
1	5805001	5810000	5809784	11.0789



**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2021**

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage %
DIRECTORS, CEO & CHILDREN	9	866483	1.6523
ASSOCIATE COMPANIES	4	203912	0.3888
NIT & ICP	2	1700	0.0032
BANKS, DFI & NBFI	5	48052	0.0916
INSURANCE COMPANIES	5	6003409	11.4481
MUTUAL FUNDS	3	290631	0.5542
GENERAL PUBLIC (LOCAL)	3689	31288038	59.6645
GENERAL PUBLIC (FOREIGN)	1149	990967	1.8897
OTHERS	39	12746308	24.3065
MODARABAS	2	500	0.0010
 Company Total	4907	52440000	100.0000

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Mrs. Nazia Maqbool	144,660
Mr. Nadeem Maqbool	453,356
Ms Alizeh Bashir	9,500
Mr Qaiser Ahmed Magoon	1,000

UNDER CERTIFICATE OF POSTING

If undelivered please return to:-

THK Associates (Pvt) Ltd.
Plot No. 32-C, Jami Commercial,
Street 2, D.H.A. Phase VII, Karachi,
Tel: +92-21-35310191-2-3
Email: sfc@thk.com.pk