

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of the Premier Financial Services (Private) Limited, the management company of the **FIRST EQUITY MODARABA**, are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and Equity Textiles Limited, a wholly owned subsidiary, for the year ended June 30, 2010.

Financial Results

The loss for the year amounted to Rs. 714,030 as compared to profit of Rs 146,302 for the last year. The loss per certificate as at June 30, 2010 was Rs. (0.014) as compared to Rs. 0.003 last year.

	Rupees
Income	
Expenses	25,877,250
Operating Expenses	
Bank Charges	(23,135,667)
	(13,014)
Operating profit	(23,148,681)
Deficit on revaluation of investment	2,728,569
Other Income	(6,699,100)
Profit before Taxation	3,379,491
	(591,040)
Taxation	(122,990)
Loss for the year	(714,030)
Appropriations: statutory reserve	
Unappropriated loss carried forward	(714,030)
Earning per Certificate	(0.014)

Our Performance and Future Prospects

As envisaged in our last year's review, our objective of survival was achieved. The decision to curtail stock market operations turned out to be favorable due to the volatile movements in stock market. We reiterate our earlier submission, that unless new financing products are introduced or the government injects fresh liquidity, market trends will remain erratic.

Pakistan's economy has been awfully affected on almost all fronts like socio, natural, economic and political. The aftermath of earthquake was not yet absorbed fully and government changed. Rupee parity changed drastically and upsurge in major currencies blew country's financial position. We were yet to find space, but an international recession further weakened country's financial position. Last but not the least, current natural calamity in shape of floods has and will have a worst impact on country's resources. Though, presently, all socio-political-economic indicators are in red but based on our faith we are hopeful.

The all time high and continuously increasing cost of living with fewer opportunities have severely affected not only the common man but public at large. This aggravated the offensive and criminal behavior to its peak and adversely affected the local small and medium financial intermediaries due to non-performing assets and its realisation. Regulators have tightened risk management and non conducive regulatory environment have and will eradicate small capital base financial sector companies and the investors.

The deteriorating socio-economic conditions, political turmoil and other factors as aforesaid, new business decisions cannot be justified. Therefore, we prefer to be more cautious in business development and expansion in the fund base activities and curtailed our operations significantly. We foresee that the negative impact, of all the above factors, will be carry forward in years' to come and hence we maintain our previous policy of breakeven and survival with slow and steady moves.

Audit and Inspection

The Modaraba's wholly owned subsidiary, Equity Textile Ltd (ETL), commenced the commercial production from April 01, 2007. ETL had purchased the machinery on 720 days deferred Letters of Credit. However, in the last year it had to take hit on rupee parity which has increased the cost of plant and Equipment by Rupees 193.811 Million. However cost of plant and equipment has increased in international markets and with the current rupee parity the project of the same size and nature would now cost much more than ETL's book value. On this basis we have not provided for the loss in carrying amount of our investment. Net assets value per share of Equity Textiles Limited which was Rs 7.45 as at June 30, 2009 has increased to Rs 8.37 at the reporting date.

We have also not provided for the permanent impairment in the value of the investments available for sale. External auditors have qualified their view based on non compliance of the International Accounting Standard which requires that permanent impairment in the value investments available for sale should be recorded at its fair value, rather than cost, and any profit / loss should be taken / charge to profit and loss account for the year. Firstly, we do not foresee that these impairments are of permanent nature. Secondly, keeping in view the peculiar nature of our industry, where profit for the year has to be distributed, providing for such impairment in the current year and then booking capital gains on disposal in the following years would tantamount to distribution of profits from capital.

As elaborated in the last annual report that, we do not concur with the basic concept of adjusting cost for fair values. 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, Modaraba 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 gains on recovery cost. We strongly believe that no accounting concept would dictate to distribute unearned profit capital and hence we restricted ourselves to the category-investments available for sale. There are certain requirements of international accounting standards, which are drafted for corporate of high status and should not be made mandatory for a peculiar home-made industry.

Registrar Modaraba initiated an inquiry in December 2006 through their in house inspection team. Inspection report was provided on September 24, 2007 and a show cause notice was served in November 2007. Hearing of this show cause notice was held on February 21, 2008 but the final order is still awaited. Without issuing the final order, Registrar Modaraba again initiated an inquiry on May 11, 2009, which was challenged in the High Court of Sindh and stay was granted by the honorable Court on May 13, 2009. No progress to this date.

Audit under section 177 of the Income Tax Ordinance 2001 for the tax years 2005 and 2008 are still in process.

Dividend Distribution

Since the Modaraba sustained loss during the year, consequently there would be no announcement of profit distribution. However to meet the regulations date of book closure would be from October 22, 2010 to November 03, 2010 (other days inclusive)

Board of Directors

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

	Name of Board Members	Meetings Attended
1	Mr. Zahid Bashir	4
2	Mr. Nadeem Maqbool	4
3	Mr. Adil A. Ghaffar	4

Code of Corporate Governance

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

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. The system of internal control is consistent and has been effectively implemented and monitored;
- e. There is no doubt about the Modaraba's ability to continue as a going concern;
- f. There has been no material departure from the best practice of corporate governance as detailed in the listing regulation of the Stock Exchange (s); and
- g. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements except as disclosed in the financial statements.

Auditors

The present auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants have completed their term of 5 years as per Code of Corporate Governance. The Board has recommended the name of M/s Avais Hyder Liaquat Nauman, Chartered Accountants. Their appointment is subject to the approval of the Registrar Modaraba.

Acknowledgement

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

Karachi
Date : 07 Oct 2010

Adil A Ghaffar
Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Equity Modaraba** (the Modaraba) as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- 1 respect of its investment in the wholly owned subsidiary company and investments in securities classified as available-for-sale investments respectively.

Had the impairment loss been charged, the loss of the Modaraba would have been higher by Rs. 92.32 million, investment in subsidiary company would have been lower by Rs. 40.67 million and unrealised loss on remeasurment of available-for-sale investments would have been lower by Rs. 51.65 million.

- (a) in our opinion, proper books of accounts have been kept by the Modaraba company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied; except for the changes mentioned in note 2.3 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion, because of the significance of matter stated in paragraph 1 above 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, statement of cash flows and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan and do not 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 do not give a true and fair view of the state of the Modaraba's affairs as at June 30, 2010 and of the 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).

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi
Date : 07 Oct 2010

FIRST EQUITY MODARABA
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
Authorized Certificate Capital			
60,000,000 (2009: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000
Certificate holders' equity			
Certificate capital	6	524,400,000	524,400,000
Reserves	7	74,975,414	75,689,444
Unrealised loss on remeasurment of available-for-sale investments		(51,554,446)	(55,625,524)
Total certificates holders' equity		547,820,968	544,463,920
Non-current liabilities			
Deferred liabilities	8	1,397,333	1,005,416
Total non-current liabilities		1,397,333	1,005,416
Current liabilities			
Creditors, accrued and other liabilities	9	9,888,877	17,186,827
Provision for taxation		1,486,622	1,486,622
Unclaimed profit distribution		26,353,530	26,361,630
Total current liabilities		37,729,029	45,035,079
Total equity and liabilities		586,947,330	590,504,415
Contingencies and commitments	10		

FIRST EQUITY MODARABA
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non-current assets			
Fixed assets			
-tangible	11	19,051,099	15,189,272
-intangible	12	53,051,000	58,551,000
Deferred cost	13	-	429,465
Long term investments	14	278,133,116	278,916,683
Advances-considered good		3,510,000	3,510,000
Deposits		1,200,000	1,200,000
Total non-current assets		354,945,215	357,796,420
Current Assets			
Morabaha/Musharaka receivables-secured	15	124,754,558	118,589,692
Short term investments	16	17,104,176	11,888,472
Advances	17	2,020,932	2,153,910
Trade deposits and prepayments	18	15,409,185	15,454,834
Other receivables	19	45,733,522	67,153,762
Tax refunds due from government		6,796,925	6,710,769
Bank balances	20	20,182,817	10,756,556
Total current assets		232,002,115	232,707,995
Total Assets		586,947,330	590,504,415

The annexed notes 1 to 34 form an integral part of these financial statements.

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

**FIRST EQUITY MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
Income	21	25,877,250	22,800,762
Expenditures			
Operating expenses	22	(23,135,667)	(20,945,877)
Financial charges		(13,014)	(15,057)
		(23,148,681)	(20,960,934)
Operating profit		2,728,569	1,839,828
Deficit on revaluation of investment classified as financial assets at fair value through profit or loss		(6,699,100)	(2,298,668)
Other income	23	3,379,491	812,256
		(591,040)	353,416
Other charges		-	(6,930)
(Loss)/Profit before taxation		(591,040)	346,486
Taxation	24	(122,990)	(200,184)
(Loss)/Profit for the year		(714,030)	146,302
(Loss)/Earnings per certificate - basic and diluted	25	(0.014)	0.003

The annexed notes 1 to 34 form an integral part of these financial statements.

Adil A. Ghaffar
Chief Executive Officer
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Zahid Bashir
Director
Premier Financial
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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FIRST EQUITY MODARABA
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
(Loss)/Profit for the year	(714,030)	146,302
Other comprehensive income		
Unrealized gain on remeasurement of available for sale investments	3,973,246	(29,845,762)
Gain realised on disposal of investments	97,832	-
	4,071,078	(29,845,762)
Taxation relating to component of other comprehensive income	-	-
Other comprehensive income/(loss)	4,071,078	(29,845,762)
Total comprehensive income/(loss) for the year	3,357,048	(29,699,460)

The annexed notes 1 to 34 form an integral part of these financial statements.

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Chief Executive Officer
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Zahid Bashir
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Nadeem Maqbool
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Services (Private) Limited

FIRST EQUITY MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Cash flows from operating activities			
(Loss)/Profit before taxation		(591,040)	346,486
Adjustments for:			
Depreciation	11	1,871,578	1,812,180
Amortization of deferred cost	13	429,465	429,456
Provision for gratuity	8.1	508,917	212,750
Povision for doubtful debts	19.1.1	7,000,000	5,500,000
Deficit on revaluation of investment classified as financial assets at fair value through profit or loss		6,699,100	2,298,668
Liabilites written back		(2,818,041)	-
Dividend income	21	(3,065,827)	(2,187,481)
		10,625,192	8,065,573
Cash generated from operations before working capital changes		10,034,152	8,412,059
Working Capital changes			
(Increase)/decrease in operating assets			
Morabaha/Musharaka receivables-secured		(6,164,866)	(26,588,647)
Advances		132,978	1,715,142
Trade deposits and prepayments		45,649	12,329,270
Other receivables		14,373,389	(7,223,392)
Increase/(decrease) in operating liabilities			
Creditors, accrued and other liabilities		(4,479,909)	(18,880,405)
		3,907,241	(38,648,032)
Staff retirement benefit-gratuity paid		(117,000)	(316,250)
Dividend paid		(8,100)	(13,357)
Taxes paid		(209,146)	(113,562)
Net cash generated from/(used in) operating activities		13,607,147	(30,679,142)
Cash flows from investing activities			
Investments		(7,060,159)	(13,718,363)
Dividend received		3,112,678	2,332,905
Purchase of tangible assets		(233,405)	(36,500)
Net cash used in investing activities		(4,180,886)	(11,421,958)
Cash flows from financing activities			
		-	-
Net increase/(decrease) in cash and cash equivalents		9,426,261	(42,101,100)
Cash and cash equivalents at beginning of the year		10,756,556	52,857,656
Cash and cash equivalents at the end of the year	20	20,182,817	10,756,556

The annexed notes 1 to 34 form an integral part of these financial statements.

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Chief Executive Officer
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Services (Private) Limited

Zahid Bashir
Director
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Director
Premier Financial
Services (Private) Limited

**FIRST EQUITY MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Certificate Capital	Statutory reserve*	Certificate premium account	General reserve	Accumulated loss	Total reserves	Unrealised loss on remeasurment of available-for-sale investments	Total
----- Rupees -----								
Balance as at June 30, 2008	524,400,000	134,188,672	131,100,000	27,120,000	(216,865,530)	75,543,142	(25,779,762)	574,163,380
Total Comprehensive income for the year	-	-	-	-	146,302	146,302	(29,845,762)	(29,699,460)
Transfer to statutory reserve	-	73,150	-	-	(73,150)	-	-	-
Balance as at June 30, 2009	524,400,000	134,261,822	131,100,000	27,120,000	(216,792,378)	75,689,444	(55,625,524)	544,463,920
Total Comprehensive income for the year	-	-	-	-	(714,030)	(714,030)	4,071,078	3,357,048
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	524,400,000	134,261,822	131,100,000	27,120,000	(217,506,408)	74,975,414	(51,554,446)	547,820,968

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

The annexed notes 1 to 34 form an integral part of these financial statements.

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

**FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1 Legal status and nature of business

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

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

The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Modaraba is situated at B-1004, 10th floor, Lakson Square Building 3, Sarwar Shaheed Road, Karachi. The Modaraba is holding Equity Textiles Limited as a wholly owned subsidiary company.

2 Statement of compliance

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

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

2.3 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published accounting standards that are effective in the current year:

The following amendments to standards are mandatory for the first time for the financial year beginning July 01, 2009 which affect these financial statements:

During the year, International Accounting Standard 1 (Revised), 'Presentation of Financial Statements' (Revised IAS-1) become effective from the annual period beginning on or after January 1, 2009. The application of this standard has resulted in certain increased disclosures. The revised IAS-1 prohibits the presentation of items of income and expenses in the statement of changes in equity and requires non owners changes in equity to be shown in a separate statement. The Modaraba under the given circumstances has a choice of presenting one statement (Statement of comprehensive income) or two separate statements (Profit and Loss account and Statement of comprehensive income). The Modaraba has opted to present two statements. As this change only impacts presentation aspects, there is no impact on profit/loss for the year.

IFRS 8, 'Operating segments' became effective for annual periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has not resulted in identification of any new reportable segment.

FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

2.4 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following new standards and amendments to existing standards that are mandatory for the first time for the financial year beginning July 1, 2009 :

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have any impact on the Modaraba's financial statements.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. The adoption of the amendment did not have any impact on the Modaraba's financial statements.

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. This amendment did not have any impact on the Modaraba's financial statements.

IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Adoption of the amendment did not have any effect on the Modaraba's financial statements.

IAS 38 (Amendment), 'Intangible Assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Adoption of the amendment did not have any effect on the Modaraba's financial statements.

IAS 23 (Amendment), 'Borrowing Costs' (effective from January 1, 2009). This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39, 'Financial Instruments: Recognition and Measurement'. Adoption of this amendment did not have any effect on the Modaraba's financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of this amendment did not have any effect on the Modaraba's financial statements.

FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

There are other interpretations that were mandatory for the Modaraba's accounting periods beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Modaraba's operations and are therefore not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2010:

- IFRS 2 (Amendments), 'Group Cash-settled and Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Modaraba's financial statements.
- IFRS 8 (Amendment), 'Operating segments' (effective from January 1, 2010). There is a minor amendment to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The amendment is not expected to have any impact on the Modaraba's financial statements.
- IAS 17 (Amendment), 'Leases' (effective from January 1, 2010). The amendment has deleted the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The amendment is not expected to have any impact on the Modaraba's financial statements.
- IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2010). The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment. The amendment is not expected to have a significant effect on the Modaraba's financial statements.
- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2010). The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active market. The amendment is not expected to have any impact on the Modaraba's financial statements.

There are certain other new standards, amendments and interpretations that are mandatory for Modaraba's accounting periods beginning on or after July 1, 2010 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.

3 Basis of measurement

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

4 Use of estimates

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

FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
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	Note
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.1.2 & 5.3.1
c) Classification of investments	5.3
d) Income tax	5.5
e) Provision for staff gratuity	5.7
f) Provision for non performing assets	5.1

5 Significant accounting policies

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

5.1 Fixed assets

5.1.1 Tangible

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

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

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

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

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

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

5.1.2 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 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.

5.3 Financial instruments

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

Initial recognition

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

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

FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
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Subsequent measurement

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

5.3.1 Financial assets

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

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

Available for sale financial assets

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

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

Impairment of financial assets

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

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

FIRST EQUITY MODARABA
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Derecognition of financial assets

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

5.3.2 Financial liabilities

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

Derecognition of financial liabilities

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

5.3.3 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.

5.4 Revenue recognition

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

5.5 Taxation

Current

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

Deferred

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

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

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

5.6 Foreign currency translation

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

5.7 Retirement benefits

An unfunded gratuity scheme is operated for permanent employees completing prescribed period of service. Provision for obligations under the scheme is charged to profit and loss account.

5.8 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.

5.9 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.

5.10 Profit distribution to certificates holders

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

5.11 Impairment

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

5.12 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 organised 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 of assessing performance.

5.13 Related parties transactions

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

5.14 Cash and cash equivalents

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

**FIRST EQUITY MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

5.15 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.

5.16 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.

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NOTES TO THE FINANCIAL STATEMENTS
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6 Certificate capital

2009	2010		2010	2009
N.o of Certificat	No. of Certificates		Rupees	Rupees
46,220,000	46,220,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,200,000
6,220,000	6,220,000	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,200,000
52,440,000	52,440,000		524,400,000	524,400,000

6.1 Certificates held by associated companies and undertakings 465,004 (2009: 414,904).

7 Reserves

	-----Capital Reserves-----			-----Revenue Reserves-----			Total 2010	Total 2009	
	Statutory* reserve	Certificate Premium Account	Total Reserve	Accumulated loss	General reserve	Total Reserve			
	----- Rupees -----								
Opening balance	134,261,822	131,100,000	265,361,822	(216,792,378)	27,120,000	(189,672,378)	75,689,444	75,543,142	
Transfer from profit and loss account	-	-	-	(714,030)	-	(714,030)	(714,030)	146,302	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	
Closing balance	134,261,822	131,100,000	265,361,822	(217,506,408)	27,120,000	(190,386,408)	74,975,414	75,689,444	

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

8 Deferred liabilities

	Note	2010 Rupees	2009 Rupees
Staff gratuity	8.1	1,397,333	1,005,416

8.1 Movement in the liability recognized in the balance sheet

Opening balance	1,005,416	1,108,916
Amount recognized during the year	508,917	212,750
Payments made during the year	(117,000)	(316,250)
Closing balance	1,397,333	1,005,416

9 Creditors, accrued and other liabilities

Payable to clients		5,994,012	8,420,867
Accrued expenses	9.1	3,336,371	7,041,987
Other liabilities	9.2	558,494	1,723,973
		9,888,877	17,186,827

9.1 This includes payable to Equity Textiles Limited amounting to Rs. 240,000 (2009: Rs. 240,000).

9.2 This represents payable to Premier Financial Services (Private) Limited.

10 Contingencies and commitments

There are no contingencies and commitments at balance sheet date (2009: Nil).

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NOTES TO THE FINANCIAL STATEMENTS
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11 Tangible

-----2010-----								
Particulars	Cost			Accumulated depreciation			Book value	Rate
	As at July 01, 2009	Addition / *Transfer	As at June 30, 2010	As at July 01, 2009	Charged during the year	As at June 30, 2010	As at June 30, 2010	%
	-----Rupees-----			-----Rupees-----			-----Rupees-----	
Office premises	14,970,000	*5,500,000	20,470,000	1,277,220	886,000	2,163,220	18,306,780	5
Furniture & fixtures	196,509	-	196,509	196,500	-	196,500	9	20
Motor vehicles	4,507,333	-	4,507,333	3,151,527	898,051	4,049,578	457,755	20
Computers	767,081	192,380	959,461	690,031	61,964	751,995	207,466	33
Office equipments	882,155	41,025	923,180	818,528	25,563	844,091	79,089	20
2010	21,323,078	5,733,405	27,056,483	6,133,806	1,871,578	8,005,384	19,051,099	

-----2009-----								
Particulars	Cost			Accumulated depreciation			Book value	Rate
	As at July 01, 2008	Addition / *Transfer	As at June 30, 2009	As at July 01, 2008	Charged during the year	As at June 30, 2009	As at June 30, 2009	%
	-----Rupees-----			-----Rupees-----			-----Rupees-----	
Office premises	14,970,000	-	14,970,000	528,720	748,500	1,277,220	13,692,780	5
Furniture & fixtures	196,509	-	196,509	186,351	10,149	196,500	9	20
Motor vehicles	4,507,333	-	4,507,333	2,248,309	903,218	3,151,527	1,355,806	20
Computers	730,581	36,500	767,081	646,388	43,643	690,031	77,050	33
Office equipments	882,155	-	882,155	711,858	106,670	818,528	63,627	20
2009	21,286,578	36,500	21,323,078	4,321,626	1,812,180	6,133,806	15,189,272	

	2010	2009
	Rupees	Rupees
Cost	58,551,000	58,551,000
Transferred to tangible assets	(5,500,000)	-
	53,051,000	58,551,000

These represents membership cards of Karachi and Islamabad Stock Exchanges.

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	Note	2010 Rupees	2009 Rupees
13	Deferred cost		
	Cost of issue of right certificates	2,147,290	2,147,290
	Accumulated amortization	(2,147,290)	(1,717,825)
		-	429,465

14	Long term investments		
	Investment in subsidiary	14.1	250,000,000
			250,000,000
	Investment classified as available-for-sale financial assets		
	Listed securities	14.2.1	26,333,116
	Unlisted securities	14.2.2	1,800,000
			28,133,116
			28,916,683
			278,133,116
			278,916,683

14.1 Investment in subsidiary

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

2009 Number	2010 Number		Note	2010 Rupees	2009 Rupees
25,000,000	25,000,000	Equity Textiles Limited	14.1.1	250,000,000	250,000,000

14.1.1 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 8.37 (2009: Rs.7.45) as per financial statements as at June 30, 2010 audited by BDO Ebrahim & Company,

14.2 Investment classified as available-for-sale financial assets

14.2.1 Listed securities

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

2009 Number	2010 Number		Note	2010 Rupees	2009 Rupees
		Open-end mutual funds			
7,994	7,994	Dawood Money Market Fund (Unit of Rs. 100 each)		598,511	647,354
		Oil and Gas			
3,009	3,009	Attock Petroleum Limited		871,858	958,397
27,000	27,000	Oil & Gas Development Company Limited		3,825,630	2,123,280
13,870	13,870	Pakistan Oilfields Limited		2,994,533	2,023,633
15,895	-	Pakistan Petroleum Limited		-	3,012,738
3,592	3,592	Pakistan State Oil Company Limited		934,638	767,431
		Chemicals			
29	31	Dawood Hercules Chemicals Limited		5,439	3,727
5,834	-	Engro Chemicals Limited		-	749,260
166,500	166,500	Fauji Fertilizer Bin Qasim Limited		4,335,660	2,945,385
4,300	4,300	Fauji Fertilizer Company Limited		443,201	373,885
10,000	10,000	ICI Pakistan Limited		1,185,600	1,402,500
50,000	50,000	Nimir Industrial Chemicals Limited		79,500	69,000
10,000	10,000	Sitara Peroxide Limited		88,800	184,400

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2009 Number	2010 Number		2010 Rupees	2009 Rupees
		<i>Industrial metals and mining</i>		
37,500	37,500	Siddiqsons Tin Plates Limited	378,750	319,125
		<i>Construction and materials</i>		
22,104	22,104	D.G. Khan Cement Factory Limited	522,096	655,384
150,000	150,000	Fauji Cement Company Limited	682,500	988,500
11,603	11,603	Lucky Cement Limited	721,010	679,124
26,250	26,250	Maple Leaf Cement Factory Limited	81,638	111,825
998	998	Pioneer Cement Limited	6,357	13,553
		<i>Support services</i>		
10,000	10,000	TRG Pakistan Limited	41,100	13,500
		<i>Automobile and parts</i>		
1,043	1,043	Indus Motor Company Limited	273,662	112,352
		<i>Personal goods</i>		
2,873	2,873	Azgard Nine Limited	32,063	63,608
400	-	The Crescent Textile Mills Limited	-	9,800
		<i>Fixed line telecommunication</i>		
50,000	50,000	Pakistan Telecommunication Company Limited	890,000	862,000
		<i>Gas water and multiutilities</i>		
36,498	36,498	Sui Northern Gas Pipelines Limited	1,014,279	1,166,111
		<i>Banks</i>		
11,111	11,111	Summit Bank Limited (formerly: Arif Habib Bank Limited)	39,888	77,666
7,093	8,511	Askari Bank Limited	129,537	108,381
10,099	10,099	Bank Alfalah Limited	95,537	106,544
22,500	22,500	The Bank of Punjab	226,800	247,050
6,600	7,260	Habib Bank Limited	706,035	567,996
550	-	MCB Bank Limited	-	85,267
10,394	12,992	National Bank of Pakistan	832,787	696,710
15,762	15,762	The Royal Bank of Scotland	205,536	267,166
		<i>Non life insurance</i>		
3,808	4,188	Adamjee Insurance Company Limited	334,537	319,834
		<i>Real estate investment and services</i>		
2,000	2,000	PACE (Pakistan) Limited	7,140	11,160
		<i>Financial services</i>		
13,125	13,125	Arif Habib Securities Limited	435,881	362,775
1,339	1,339	Invest Capital Investment Bank Limited	-	1,151
22,000	22,000	Javed Omer Vohra & Company Limited	117,480	296,340
14,703	14,703	Jahangir Siddiqui & Company Limited	185,846	340,962
18,000	18,000	JS Investment Limited	134,280	304,920
5,875	5,875	Pervez Ahmed Securities Limited	14,394	31,079
		<i>Equity investment instruments</i>		
760,000	760,000	First Dawood Mutual Fund	1,231,200	1,520,000
135,550	135,550	PICIC Growth Fund	1,255,193	1,138,620
99,000	99,000	PICIC Investment Fund	374,220	377,190
			26,333,116	27,116,683

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14.2.2 Unlisted securities

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

2009 Number	2010 Number		Note	2010 Rupees	2009 Rupees
50,000	50,000	Sapphire Power Generation Limited	14.2.2.1	1,800,000	1,800,000
78,150	78,150	Callmate Telips Telecom Limited	14.2.2.2	-	-
				1,800,000	1,800,000

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 59.07 (2008: Rs.57.11) as per financial statements as at June 30, 2009 audited by Riaz Ahmad, Saqib, Gohar & Company Chartered Accountants.

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

	Note	2010 Rupees	2009 Rupees
15 Morabaha/Musharaka receivables-secured			
Musharaka - considered good	15.2	124,754,558	118,589,692
Morabaha - considered doubtful		17,380,055	17,380,055
		142,134,613	135,969,747
Provision for non performing assets		(17,380,055)	(17,380,055)
		124,754,558	118,589,692

15.1 The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on musharaka transactions during the year range between 12% to 20 % (2009: 12 % to 20%).

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

	Note	2010 Rupees	2009 Rupees
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16 Short term investments

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

Listed securities	16.1	17,104,176	11,888,472
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16.1 Listed securities

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

2009 Number	2010 Number		2010 Rupees	2009 Rupees
<i>Oil and Gas</i>				
-	75,400	Byco Petroleum Pakistan Limited	752,492	-
1,000	-	Oil & Gas Development Company Limited	-	78,640
1,100	-	Pakistan Oilfields Limited	-	160,490

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2009 Number	2010 Number		2010 Rupees	2009 Rupees
		<i>Chemicals</i>		
59,000	40,000	Descon Oxychen Limited	182,400	444,860
2,493	-	Engro Chemicals Limited	-	320,176
-	52,500	Fauji Fertilizer Bin Qasim Limited	1,367,100	-
2,025	8,020	Fauji Fertilizer Company Limited	826,621	176,074
30,000	54,000	Lotte Pakistan PTA Limited	435,240	85,800
-	200,000	Nimir Industrial Chemicals Limited	318,000	-
		<i>Construction and materials</i>		
-	15,000	Attock Cement Pakistan Limited	982,500	-
27,420	31,027	D.G. Khan Cement Company Limited	732,858	813,003
-	9,000	Fauji Cement Company Limited	40,950	-
-	20,600	Lucky Cement Limited	1,280,084	-
-	90,000	Maple Leaf Cement Factory Limited	279,900	-
		<i>Support services</i>		
-	305,000	TRG Pakistan Limited	1,253,550	-
		<i>Personal goods</i>		
-	89,600	Amtex Limited	1,033,984	-
-	44,127	Azgard Nine Limited	492,457	-
41,600	-	The Crescent Textile Mills Limited	-	1,019,200
-	5,000	Nishat Mills Limited	215,600	-
		<i>Pharma and biotech</i>		
-	24,000	IBL Healthcare Limited	168,000	-
-	4,100	Searl Pakistan Limited	241,900	-
		<i>Fixed line telecommunication</i>		
10,000	25,000	Pakistan Telecommunication Company Limited	445,000	172,400
-	160,000	Worldcall Telecom Limited	465,600	-
		<i>Electricity</i>		
-	10,000	The Hub Power Company Limited	319,600	-
-	30,500	Japan Power Generation Limited	54,900	-
534,500	331,000	Karachi Electricity Supply Company Limited	738,130	1,416,425
-	4,500	Kohinoor Energy Limited	119,205	-
		<i>Gas water and multiutilities</i>		
-	47,500	Sui Northern Gas Pipelines Limited	1,320,025	-
		<i>Banks</i>		
250,500	141,089	Summit Bank Limited (formerly: Arif Habib Bank Limited)	506,510	1,750,995
48,568	25,000	Bank Alfalah Limited	236,500	512,392
-	6,000	Bank Al Habib Limited	189,000	-
30,000	24,500	Bank Islami Pakistan Limited	78,645	191,100
5,000	7,500	Faysal Bank Limited	106,950	48,400
20,000	-	JS Bank Limited	-	120,600
16,878	-	National Bank of Pakistan	-	1,131,332
319,000	115,900	NIB Bank Limited	346,541	1,515,250

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	2009 Number	2010 Number		2010 Rupees	2009 Rupees
	31,500	-	United Bank Limited	-	1,206,135
<i>Non life insurance</i>					
	5,000	14,300	Adamjee Insurance Company Limited	1,142,284	419,950
	-	20,000	Pakistan Reinsurance company Limited	342,400	-
<i>Real estate investment and services</i>					
	35,500	25,000	PACE (Pakistan) Limited	89,250	198,090
<i>Software and computer services</i>					
	6,000	-	NetSol Technology Limited	-	107,160
				17,104,176	11,888,472
				Note	2010 Rupees
17	Advances - considered good		17.1	2,020,932	2,153,910
17.1	These include advances to employees at June 30, 2010 amounting to Rs. 1,891,921 (2009: Rs. 2,131,399). The maximum aggregate amount due from employees at the end of any month during the year was Rs. 2,130,495 (2009: Rs. 2,191,051). These are secured against the property documents retained by the Modaraba.				
17.2	All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.				
				Note	2010 Rupees
18	Trade deposits and prepayments				
	Deposits			15,374,648	15,378,463
	Prepayments			34,537	76,371
				15,409,185	15,454,834
18.1	All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.				
				Note	2010 Rupees
19	Other receivables				
	Sale proceeds of investments			824,677	1,272,698
	Receivable from clients		19.1 & 19.2	27,157,459	44,042,789
	Dividend			49,426	96,277
	Profit on musharaka			17,118,615	21,354,936
	Others		19.2	583,345	387,062
				45,733,522	67,153,762
19.1	Receivable from clients				
	Considered good			27,157,459	44,042,789
	Considered doubtful			12,500,000	5,500,000
				39,657,459	49,542,789
	Less: Provision for doubtful debts		19.1.1	(12,500,000)	(5,500,000)
				27,157,459	44,042,789

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	Note	2010 Rupees	2009 Rupees
19.1.1 Movement in provision for doubtful debts			
Opening provision		5,500,000	-
Charge for the year		7,000,000	5,500,000
		12,500,000	5,500,000
19.2 Receivable from clients and others include receivable from related parties amounting to Rs.74,670 (2009: Rs.557,215).			
19.3 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.			
	Note	2010 Rupees	2009 Rupees
20 Bank balances			
-in current accounts		1,335,335	1,380,846
-in saving accounts	20.1	18,847,482	9,375,710
		20,182,817	10,756,556
20.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 7% (2009: 5% to 7%) per annum.			
20.2 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.			
	Note	2010 Rupees	2009 Rupees
21 Income			
Profit on musharaka		17,595,733	16,809,326
Brokerage commission		1,596,985	2,163,128
Capital gain		3,608,705	1,453,597
Dividend		3,065,827	2,187,481
Commission and fees		10,000	187,230
		25,877,250	22,800,762
22 Operating expenses			
Salaries, allowances and benefits	22.1	4,757,165	3,623,248
Traveling, conveyance and entertainment		387,969	399,892
Telephone and postage		491,259	696,857
Electricity		395,947	215,025
Insurance		208,716	235,003
Printing, stationery and advertising		1,288,582	1,076,891
Fees and subscriptions		793,651	845,996
Vehicle running and maintenance		1,324,113	1,050,802
Depreciation	11	1,871,578	1,812,180
Amortization of deferred cost	13	429,465	429,456
Facilities and services		2,210,340	2,209,242
Repair and maintenance		684,751	520,485
Annual Review Meeting		50,000	6,000
Auditors' remuneration	22.3	214,672	376,238
Legal and professional		676,086	1,263,771
Provision for doubtful debts	19.1.1	7,000,000	5,500,000
Training and development		14,750	32,650
Zakat deducted at source		3,250	12,724
KSE & SECP Charges		242,296	337,430
Withholding & CVT tax		8,155	114,857
Others		82,922	187,130
		23,135,667	20,945,877

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22.1 Remuneration of officers and other employees

The aggregate amount charged in the financial statements for remuneration, including benefits to 11 (2009 : 12) employees of the modaraba is:

	2010		2009	
	Officers	Other employees	Officers	Other employees
	-----Rupees-----		-----Rupee-----	
Salaries and allowances	1,932,000	1,314,000	1,566,000	1,056,000
Gratuity and leave fare	428,131	210,233	146,350	109,758
Expenses reimbursed:				
- Medical	194,151	117,432	263,206	132,980
	2,554,282	1,641,665	1,975,556	1,298,738

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 508,917(2009: Rs. 212,750). Officers are also provided with free use of the Modaraba maintained cars.

	2010 Rupees	2009 Rupees
22.3 Auditor's remuneration		
Audit fee	130,000	130,000
Half yearly review	25,000	25,000
Other fees	59,672	221,238
	214,672	376,238

23 Other income

Profit on PLS deposits	561,450	812,256
Liabilities written back	2,818,041	-
	3,379,491	812,256

24 Taxation

Current	122,990	200,184
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Assessment upto and including the tax year 2009 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 170 of the Ordinance. Tax year 2005 and 2008 has been selected under section 177 of the ordinance for total audit, but the audit proceedings has not yet been finalised.

	2010 Rupees	2009 Rupees
25 (Loss)/Earnings per certificates - basic and diluted		
(Loss)/Profit for the year	(714,030)	146,302
	Number	Number
Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
	Rupees	Rupees
(Loss)/Earnings per certificate - basic and diluted	(0.014)	0.003

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

26 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

- Credit risk
- Liquidity risk
- Market risk

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Credit and concentration risk

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

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

Business	2010		2009	
	Rupees	%	Rupees	%
Open-end mutual funds	598,511	0.12	647,354	0.13
Oil and Gas	9,379,151	1.92	9,124,609	1.83
Chemicals	9,267,561	1.90	6,755,067	1.35
Industrial metals and mining	378,750	0.08	319,125	0.06
Construction and materials	5,329,893	1.09	3,261,389	0.65
Support services	1,294,650	0.27	13,500	0.00
Automobile and parts	273,662	0.06	112,352	0.02
Personal goods	251,774,104	51.61	262,423,567	52.60
Pharma and biotech	409,900	0.08	-	-
Fixed line telecommunication	1,800,600	0.37	1,034,400	0.21
Electricity	3,031,835	0.62	3,216,425	0.64
Gas water and multiutilities	2,334,304	0.48	1,166,111	0.23
Banks	3,700,266	0.76	8,632,984	1.73
Non life insurance	1,819,221	0.37	739,784	0.15
Real estate investment and services	96,390	0.02	209,250	0.04
Financial services	887,881	0.18	1,337,227	0.27
Equity investment instruments	2,860,613	0.59	3,035,810	0.61
Software and computer services	-	-	107,160	0.02
Engineering	8,620,029	1.77	7,755,300	1.55
Others	184,008,168	37.72	188,975,939	37.88
	487,865,489	100	498,867,353	100

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

	2010	2009
	Rupees	Rupees
Investment	295,237,292	290,805,155
Morabaha/Musharaka receivables-secured	124,754,558	118,589,692
Advances-considered good	5,530,932	5,663,910
Trade deposits and prepayments	16,609,185	16,654,834
Other receivables	45,733,522	67,153,762
	487,865,489	498,867,353

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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	2010			Total
	Less than one year	Over one year but less than five years	Over five years	
-----Rupees-----				
Assets				
Long term investments	-	278,133,116	-	278,133,116
Morabaha & musharaka receivables	124,754,558	-	-	124,754,558
Short term investments	17,104,176	-	-	17,104,176
Advances	2,020,932	3,510,000	-	5,530,932
Trade deposits	15,374,648	1,200,000	-	16,574,648
Other receivables	45,733,522	-	-	45,733,522
Tax refunds due from government	6,796,925	-	-	6,796,925
Bank balances	20,182,817	-	-	20,182,817
	231,967,578	282,843,116	-	514,810,694
Liabilities				
Deferred liabilities	-	1,397,333	-	1,397,333
Creditors, accrued and other liabilities	9,888,877	-	-	9,888,877
Provision for taxation	1,486,622	-	-	1,486,622
Unclaimed profit distribution	26,353,530	-	-	26,353,530
	37,729,029	1,397,333	-	39,126,362
Net balance	194,238,549	281,445,783	-	475,684,332

	2009			Total
	Less than one year	Over one year but less than five years	Over five years	
-----Rupees-----				
Assets				
Long term investments	-	278,916,683	-	278,916,683
Morabaha & musharaka receivables	118,589,692	-	-	118,589,692
Short term investments	11,888,472	-	-	11,888,472
Advances	2,153,910	3,510,000	-	5,663,910
Trade deposits	15,378,463	1,200,000	-	16,578,463
Other receivables	67,153,762	-	-	67,153,762
Tax refunds due from government	6,710,769	-	-	6,710,769
Bank balances	10,756,556	-	-	10,756,556
	232,631,624	283,626,683	-	516,258,307
Liabilities				
Deferred liabilities	-	1,005,416	-	1,005,416
Creditors, accrued and other liabilities	17,186,827	-	-	17,186,827
Provision for taxation	1,486,622	-	-	1,486,622
Unclaimed profit distribution	26,361,630	-	-	26,361,630
	45,035,079	1,005,416	-	46,040,495
Net balance	187,596,545	282,621,267	-	470,217,812

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.

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27 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.

27.1 Financial instruments by category

	2010 Rupees	2009 Rupees
Financial assets		
<i>loans and receivables</i>		
Morabaha/Musharaka receivables	124,754,558	118,589,692
Advances	5,530,932	5,663,910
Trade deposits	16,574,648	16,578,463
Other receivables	45,733,522	67,153,762
Bank balances	20,182,817	10,756,556
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	17,104,176	11,888,472
<i>Available-for-sale financial assets</i>		
Long term investments	28,133,116	28,916,683
	258,013,769	259,547,538
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Creditors, accrued and other liabilities	9,888,877	17,186,827
Unclaimed profit distribution	26,353,530	26,361,630
	36,242,407	43,548,457
On balance sheet gap	221,771,362	215,999,081

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28 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.

	2010				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
-----Rupees-----					
Assets					
Tangible assets	-	-	5,861,819	13,189,280	19,051,099
Intangible assets	-	-	-	53,051,000	53,051,000
Deferred cost	-	-	-	-	-
Long term investments	-	-	278,133,116	-	278,133,116
Morabaha & musharaka receivables	29,254,558	95,500,000	-	-	124,754,558
Short term investments	-	17,104,176	-	-	17,104,176
Advances	35,644	1,985,288	3,510,000	-	5,530,932
Trade deposits and prepayments	558,092	14,851,093	1,200,000	-	16,609,185
Other receivables	38,781,851	6,951,671	-	-	45,733,522
Tax refunds due from government	-	6,796,925	-	-	6,796,925
Bank balances	20,182,817	-	-	-	20,182,817
	88,812,962	143,189,153	288,704,935	66,240,280	586,947,330
Liabilities					
Deferred liabilities	-	-	1,397,333	-	1,397,333
Creditors, accrued and other liabilities	6,578,050	3,310,827	-	-	9,888,877
Provision for taxation	-	1,486,622	-	-	1,486,622
Unclaimed profit distribution	26,353,530	-	-	-	26,353,530
	32,931,580	4,797,449	1,397,333	-	39,126,362
Net balance	55,881,382	138,391,704	287,307,602	66,240,280	547,820,968
	2009				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
-----Rupees-----					
Assets					
Tangible assets	-	-	5,238,992	9,950,280.00	15,189,272
Intangible assets	-	-	-	58,551,000	58,551,000
Deferred cost	35,789	393,676	-	-	429,465
Long term investments	-	-	278,916,683	-	278,916,683
Morabaha & musharaka receivables	86,589,692	32,000,000	-	-	118,589,692
Short term investments	-	11,888,472	-	-	11,888,472
Advances	29,952	8,834,727	3,510,000	-	12,374,679
Trade deposits and prepayments	15,378,463	76,371	1,200,000	-	16,654,834
Other receivables	60,731,779	6,421,983	-	-	67,153,762
Bank balances	10,756,556	-	-	-	10,756,556
	173,522,231	59,615,229	288,865,675	68,501,280	590,504,415
Liabilities					
Deferred liabilities	-	-	1,005,416	-	1,005,416
Creditors, accrued and other liabilities	8,420,867	8,765,960	-	-	17,186,827
Provision for taxation	-	1,486,622	-	-	1,486,622
Unclaimed profit distribution	26,361,630	-	-	-	26,361,630
	34,782,497	10,252,582	1,005,416	-	46,040,495
Net balance	138,739,734	49,362,647	287,860,259	68,501,280	544,463,920

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29 Yield/Profit rate risk exposure

Description	Effective yield / profit risk % age	2010						2010 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		With one year	After one year	Sub-total	With one year	After one year	Sub-total	
-----Rupees-----								
Financial assets								
Long term investments		-	28,133,116	28,133,116	-	-	-	28,133,116
Morabaha/Musharika receivables	12% to 20%	124,754,558	-	124,754,558	-	-	-	124,754,558
Short term investments		-	17,104,176	17,104,176	-	-	-	17,104,176
Advances		-	-	-	2,020,932	3,510,000	5,530,932	5,530,932
Trade deposits		-	-	-	15,374,648	1,200,000	16,574,648	16,574,648
Other receivables		-	-	-	45,733,522	-	45,733,522	45,733,522
Bank balances	5% to 7%	18,847,482	-	18,847,482	1,335,335	-	1,335,335	20,182,817
		143,602,040	45,237,292	188,839,332	64,464,437	4,710,000	69,174,437	258,013,769
Financial Liabilities								
Creditors, accrued and other liabilities		-	-	-	9,888,877	-	9,888,877	9,888,877
Unclaimed profit distribution		-	-	-	26,353,530	-	26,353,530	26,353,530
		-	-	-	36,242,407	-	36,242,407	36,242,407
On balance sheet gap		143,602,040	45,237,292	188,839,332	28,222,030	4,710,000	32,932,030	221,771,362

- 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.

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Description	Effective yield / profit risk % age	2009						2009 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		With one year	After one year	Sub-total	With one year	After one year	Sub-total	
-----Rupees-----								
Financial assets								
Long term investments		-	28,916,683	28,916,683	-	-	-	28,916,683
Morabaha/Musharika receivables	12% to 20%	118,589,692	-	118,589,692	-	-	-	118,589,692
Short term investments		11,888,472	-	11,888,472	-	-	-	11,888,472
Advances		-	-	-	2,153,910	3,510,000	5,663,910	5,663,910
Trade deposits		-	-	-	15,378,463	1,200,000	16,578,463	16,578,463
Other receivables		-	-	-	67,153,762	-	67,153,762	67,153,762
Bank balances	5% to 7%	9,375,710	-	9,375,710	1,380,846	-	1,380,846	10,756,556
		139,853,874	28,916,683	168,770,557	86,066,981	4,710,000	90,776,981	259,547,538
Financial Liabilities								
Creditors, accrued and other liabilities		-	-	-	17,186,827	-	17,186,827	17,186,827
Unclaimed profit distribution		-	-	-	26,361,630	-	26,361,630	26,361,630
		-	-	-	43,548,457	-	43,548,457	43,548,457
On balance sheet gap		139,853,874	28,916,683	168,770,557	42,518,524	4,710,000	47,228,524	215,999,081

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30 Segment information

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

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

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

	2010				2009	
	Musharaka facility	Brokerage operation	Capital market	Others	TOTAL	TOTAL
	-----Rupees-----				-----Rupees-----	
Segment revenues	17,595,733	1,606,985	6,674,532	3,379,491	29,256,741	23,613,018
Segment result	17,595,733	(4,322,429)	(24,568)	3,379,491	16,628,227	18,232,159
Unallocated cost						
Operating expenses					(17,219,267)	(17,878,743)
Other charges					-	(6,930)
(Loss)/Profit before taxation					(591,040)	346,486
Taxation					(122,990)	(200,184)
(Loss)/Profit for the year					(714,030)	146,302
Other information						
Segment assets	141,873,173	99,601,427	296,111,395	-	537,585,995	553,239,182
Unallocated assets					49,361,335	37,265,233
Total assets					586,947,330	590,504,415
Segment liabilities	-	558,494	-	-	558,494	8,420,867
Unallocated liabilities					38,567,868	37,619,628
Total liabilities					39,126,362	46,040,495

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31 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:

	2010	2009
	Rupees	Rupees
31.1 Balance outstanding at year end		
Modaraba Management Company		
- Current account payable	558,494	1,723,973
Subsidiary company		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
- Payable to Equity Textiles Limited	240,000	240,000
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	1,397,333	1,005,416
31.2 Transactions during the year		
Modaraba Management Company		
- Services	2,210,340	2,209,242
Other related parties (other than key management personnel)		
- Contribution to staff gratuity fund	508,917	212,750
	Relationship	
Dividend income	Associated company	150 10,900
Services acquired	Associated company	201,862 2,412,815
Brokerage commission earned	Associated company	30,924 10,912

32 Number of employees

Total number of employees of the Modaraba as at June 30, 2010 are 11 (2009: 12).

33 Authorization for issue

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 07, 2010.

34 General

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

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited