

*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 of the nation's prosperity.*

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FIRST EQUITY MODARABA

C O R P O R A T E I N F O R M A T I O N

Modaraba Company

Premier Financial Services (Private) Limited

Board of Directors

Zahid Bashir
Nadeem Maqbool
Adil A. Ghaffar Chief Executive

Audit Committee

Zahid Bashir
Nadeem Maqbool

Registered and Business Office

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,
Karachi Stock Exchange Building
Karachi.
Tel : 32446020-3
Fax : 32446024

Auditors

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

Bankers

Faysal Bank Limited
Bank Al-Habib Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan.
KASB Bank Ltd.
NIB Bank Ltd.
The Bank of Khyber.
United Bank Ltd.

Registrar

THK Associates (Pvt.) Ltd.
Registrar
State Life Building # 3,
Dr. Ziauddin Ahmed Road, Karachi.
Tel : 111-000-322
Fax : 92-21-35655595

General Counsel

Moshin M. Tayebaly & Co.
Advocates & Legal Consultants

TEN YEARS AT A GLANCE

	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
BALANCE SHEET										
Authorised Capital	300,000	300,000	300,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Issued, Subscribed & Paid-up Capital	262,200	262,200	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400
Reserves	100,658	149,607	250,890	48,096	66,096	75,573	75,689	74,975	75,156	81,834
Revaluation Reserve on Investment	33,732	-	(88,151)	(52,331)	(7,747)	(25,780)	(55,625)	(51,554)	(36,738)	(43,147)
Deferred Liabilities	346	599	949	649	939	1,109	1,006	1,397	1,607	1,832
Contingent liabilities and other liabilities	18,668	35,368	26,430	49,450	32,198	36,068	17,187	9,889	21,422	8,784
Profit distribution	58,995	111,435	-	-	-	-	-	-	-	-
Unclaimed Profit distribution	18,383	18,082	27,340	25,617	25,533	26,375	26,361	26,354	26,262	26,082
Provision for taxation	-	-	-	-	-	1,400	1,486	1,486	1,547	3,773
	492,982	577,291	741,858	595,881	641,419	639,115	590,504	586,947	613,656	603,558
Tangible assets	1,933	2,102	1,963	4,653	12,460	16,965	15,189	19,051	18,580	19,131
Intangible Assets	28,705	25,435	28,355	13,633	43,362	58,551	58,551	53,051	53,051	53,051
Deferred Costs	151,128	163,842	357,438	1,933	1,288	309,231	290,805	295,237	-	307,017
Modaraba/Musharaka	157,733	38,269	100,434	83,127	55,655	92,001	118,590	124,755	292,584	137,621
Advances, deposits, prepayments and other receivables	25,823	96,723	122,998	114,437	115,461	108,651	96,184	74,670	132,542	52,954
Certificate of Investment	20,000	250,920	130,670	91,613	116,157	52,858	10,756	20,183	59,642	33,784
Cash and Bank balance	107,660	577,291	741,858	595,881	641,419	639,115	590,504	586,947	613,656	603,558
	492,982	577,291	741,858	595,881	641,419	639,115	590,504	586,947	613,656	603,558
PROFIT & LOSS ACCOUNT										
Income / (Loss)	98,069	204,415	8,000	(168,002)	40,248	28,606	23,612	29,256	18,423	30,393
Operating expenses	(13,113)	(26,115)	(37,818)	(31,042)	(20,439)	(21,041)	(20,967)	(16,148)	(16,567)	(20,500)
Provision for investment in value of Investment	-	-	-	-	-	-	(2,298)	(6,699)	(1,615)	-
Provision for non performing assets	-	(95)	-	-	-	-	-	(7,000)	-	-
Modaraba Company's Management fee	(8,495)	(17,821)	-	-	(1,810)	-	-	-	-	(989)
Taxation	76,461	160,384	(29,818)	(3,749)	17,999	(1,981)	(200)	(123)	(60)	(2,226)
Profit / (Loss) for the year	22,500%	42,500%	(0,57)	(3,87)	2,5%	0,14	0,003	(0,014)	0,003	0,127
Distribution	2,92	6,12	13,11	9,91	0,34	10,95	10,57	1,045	-	-
Cash	15,13	15,71	13,11	9,91	11,11	10,95	10,57	1,045	-	-
Earnings per certificate										
Breakup value										



**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012**

Number of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
1858	1	100	107,066
1116	101	500	286,551
1236	501	1000	870,719
939	1001	5000	2,228,617
250	5001	10000	1,967,308
90	10001	15000	1,222,519
54	15001	20000	1,014,485
32	20001	25000	704,881
42	25001	30000	1,169,212
24	30001	35000	791,081
8	35001	40000	299,869
8	40001	45000	331,796
18	45001	50000	876,408
15	50001	55000	782,829
9	55001	60000	462,581
5	60001	65000	249,764
6	65001	70000	402,998
4	70001	75000	370,066
5	75001	80000	383,627
1	80001	85000	81,334
3	85001	90000	259,463
2	90001	95000	183,409
7	95001	100000	694,323
4	100001	105000	406,151
3	110001	115000	337,288
3	115001	120000	352,073
1	120001	125000	123,000
1	125001	130000	128,875
1	130001	135000	132,276
2	145001	150000	443,786
2	156001	155000	152,812
1	155001	160000	159,516
1	165001	170000	169,455
4	170001	175000	686,510
1	175001	180000	177,437
1	180001	185000	181,659
1	190001	195000	191,195
1	195001	200000	198,000
2	200001	205000	405,262
1	205001	210000	205,994
1	210001	215000	213,198
1	220001	225000	219,400
2	225001	230000	457,416
1	245001	250000	250,000
2	285001	290000	579,081
1	290001	295000	292,214
1	295001	300000	300,000
1	300001	305000	301,197
1	315001	320000	319,835
2	340001	345000	688,000
1	345001	350000	345,426
1	350001	355000	355,000
1	375001	380000	379,684
1	380001	385000	383,050
1	425001	430000	429,000
1	455001	460000	457,500
1	495001	500000	496,694
1	515001	520000	519,914
1	540001	545000	542,038
1	595001	600000	598,902
1	730001	735000	734,494
1	905001	910000	907,135
1	995001	1000000	2,000,000
2	1060001	1065000	1,061,000
1	1320001	1325000	1,321,804
1	1395001	1400000	1,399,733
1	1780001	1785000	1,780,110
1	1950001	1955000	1,954,697
1	1995001	2000000	2,000,000
1	2765001	2770000	2,767,284
1	2945001	2950000	2,949,999
1	524001	5245000	5,244,000
5798			52,440,000

FIRST EQUITY MODARABA

**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012**

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<i>Categories of Certificate Holders</i>	<i>Number of Certificate Holders</i>	<i>Certificate Held</i>	<i>Percentage %</i>
DIRECTORS, CEO AND CHILDREN	4	508778	0.97
ASSOCIATE COMPANIES	4	489000	0.93
NIT & ICP	3	1826251	3.48
BANKS DFI & NBFI	9	2705957	5.16
INSURANCE COMPANIES	7	1353041	2.58
MODARABAS & MUTUAL FUNDS	5	52550	0.10
GENERAL PUBLIC (LOCAL)	4540	33321179	63.55
GENERAL PUBLIC (FOREIGN)	1194	1416572	2.70
OTHERS	54	10766672	20.53
	5820	52440000	100.00

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Zahid Bashir	19,500
Nazia Maqbool	134,660
Ambreen Zahid Bashir	202,262
Nadeem Maqbool	152,356



STATEMENT OF COMPLIANCE WITH
THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the code of Corporate Governance (CCG) contained in Regulation 35 of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, the Chapter XIII of Listing Regulations of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The Board of Directors of Premier Financial Services (Pvt) Ltd the manager of First Equity Modaraba (company) has applied the principles contained in the CCG in the following manner:

- 1 The management company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

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

- 2 The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 3 All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 During the year no casual vacancy occurring on the board.
- 5 The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 6 The Board has developed a vision statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The Board arranged two training session/programs for its directors during the year.

**STATEMENT OF COMPLIANCE WITH
THE CODE OF CORPORATE GOVERNANCE**

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- 10 The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No appointment was made during the year.
- 11 The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12 The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
- 13 The directors, CEO and executives do not hold any interest in the certificate of the Modaraba other than that disclosed in the pattern of shareholding.
- 14 The company has complied with all the corporate and financial reporting requirements of the CCG.
- 15 The Board has formed an Audit Committee. It comprises of non-executive members.
- 16 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17 The Board has formed an HR and Remuneration Committee. It comprises non-executive members,
- 18 The Board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
- 19 The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchanges.
- 22 Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23 We confirm that all other material principles enshrined in the CCG have been complied with except induction of independent director and head of internal audit for which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

Karachi
October 03, 2012

Adil A Ghaffar
Chief Executive Officer



The Directors of the Premier Financial Services (Private) Limited, the management company of the FIRST EQUITY MODARABA (FEM), are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and Equity Textiles Limited, a wholly owned subsidiary, for the year ended June 30, 2012.

Financial Results

The profit for the year amounted to Rs. 6,678,430 as compared to Rs 185,251 for the last year. The earning per certificate as at June 30, 2012 was Rs. 0.127 per certificate as compared to Rs. 0.003 last year.

	Rupees
Income	29,668,392
Expenses	
Operating Expenses	(17,282,614)
Bank Charges	(861,044)
	<u>(18,143,658)</u>
Operating profit	11,524,734
Other Income	725,130
Other Charges	(2,355,894)
Management fee	(989,397)
Profit before Taxation	<u>8,904,573</u>
Taxation	<u>(2,226,143)</u>
Profit for the year	<u><u>6,678,430</u></u>
Profit per Certificate	0.127

Our Performance and Future Prospects

Alhamdulillah, we achieved our desired last years' objective of sustainability. Stock market, after erratic movements, is now improving. However, FEM have limited role as it can deal only in Shariah compliant scrips. The reduction in the discount rate by State Bank of Pakistan would assist the stock market. In the deteriorating socio-economic conditions, political turmoil and energy crisis new business decisions cannot be justified. On the contrary the financial houses are curtailing their activities. Therefore, we preferred to be cautious in business development and expansion in the fund based activities and curtailed our operations. We foresee that the negative impact, of all the above factors, will be carry forward and hence we maintain our previous policy of breakeven and survival with slow and steady moves.

After the year end, corporatization and demutualization of the Stock exchanges took place and as of this day both the processes has been completed. The Karachi and Islamabad Stock Exchanges that were companies limited by guarantee have now been converted to unlisted public limited companies. FEM, being member of KSE and ISE, was awarded with 4,007,383 and 3,034,603 shares of Rs 10 each of Karachi Stock Exchange Ltd and Islamabad Stock Exchange Ltd, respectively, out of which 40 percent of the entitlement has been received, as per the relevant law. Apart from these shares, one

Trading Right of each Exchange has also been awarded. The effect of these would be reflected in next year's financial statements.

Audit and Inspection

The Modaraba's wholly owned subsidiary, Equity Textile Ltd (ETL), commenced the commercial production from 2007. Presently the price of similar plant and equipment has increased in international markets and with the current rupee parity a project of the same size would now cost more than the 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 6.03 as at June 30, 2011 has increased to Rs 6.46 at the reporting date. Our last year's report clearly highlighted the reasons for losses. Current year the textile sector has revived to some extent and is expected to perform much better.

We have not provided for the permanent impairment in the value of the investments, as none of the requirements laid down in IAS are applicable to us. However, the external auditors have qualified their view based on non compliance of the IAS which requires that permanent impairment in the value investments 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, it includes strategic investment in which we do not foresee that such temporary impairment is of permanent nature. Secondly, determination of fair value is objective, which could have been mitigated through other audit procedures, as enumerated in our last year's report. Thirdly, keeping in view the peculiar nature of our industry, where profit for the year have to be distributed, providing for such impairment in the current year and its reversal in subsequent years' would tantamount to distribution of profits from capital. As elaborated in the last annual reports, 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, Modarabas have to distribute 90% of profit for the year in the form of cash dividend to its certificate holders. Therefore, adjusting cost to fair value would tantamount to distribution of either unrealized capital gains or capital recovery. We strongly believe that no accounting concept would dictate to distribute unearned profit from capital. Registrar Modaraba initiated an inquiry in December 2006 through their in house inspection team. Inspection report was provided in September 2007 and a show cause notice was served in November 2007. After hearing of this show cause notice in February 2008, Registrar Modaraba again initiated an inquiry in May 2009, which was challenged in the High Court of Sindh and stay was granted by the Honorable Court.

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



Dividend Distribution

It would be uneconomical to distribute the profit for the year, therefore, the Board decided not to distribute profit for year ended June 30, 2012. However to meet the regulations date of book closure would be from October 18, 2012 to October 31, 2012 (other days inclusive)

Board of Directors

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

	Name of Board Members	Meetings Attended
1.	Mr. Zahid Bashir	5
2.	Mr. Nadeem Maqbool	5
3.	Mr. Adil A. Ghaffar	5

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 All activities are conducted as per the listing regulations of the stock exchanges. Vision & Mission statements, Core values and Code of Conduct have been prepared and approved by the Board and have been communicated to the employees. Significant policies as required under the Code of Corporate Governance have been framed and are periodically reviewed by the Board. As required by the Code of Corporate Governance, Directors are pleased to report that:

- a. The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of accounts of the Modaraba have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed in the Annual Report.
- e. The system of internal control is consistently applied though out the year and has been effectively implemented and monitored with ongoing efforts to improve it further;
- f. There is no doubt about the Modaraba's ability to continue as a going concern;

- g. There has been no material departure from the best practice of corporate governance as detailed in the listing regulation of the Stock Exchange(s); and

Pattern of Shareholding - annexed

Key Operating and Financial Data - annexed

Staff Retirement Benefits

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

Auditors

The present auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants have given their consent for reappointment. The Board has recommended their name for the formal approval by the Registrar Modaraba.

Acknowledgement

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

On behalf of the Board

Karachi
October 03, 2012

Adil A Ghaffar
Chief Executive Officer



**REVIEW REPORT TO THE MEMBERS ON
STATEMENT OF COMPLIANCE WITH BEST
PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Premier Financial Services (Private) Limited (Modaraba Management Company), to comply with the requirements of Chapter XI of listing regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control and effectiveness of such internal controls, the Modaraba's corporate governance procedure and risks.

Further, Sub-Regulation (XIII) of Listing Regulations 35 notified by Karachi, Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the board of directors for their consideration approval related party transactions distinguishing between transaction carried out on terms equivalent to those that prevail in arm's length transaction and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, which the best practices contained in the Code of Corporate Governance for as the year ended June 30, 2012.

FIRST EQUITY MODARABA

Karachi
October 03, 2012

Avais Hyder Liaquat Nauman
Chartered Accountant
Adnan Zaman
Engagement Partner

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. These financial statements are the Modaraba Company's [Premier Financial Services (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) The Modaraba has not charged impairment loss of Rs.33.99 million and Rs.88.5 million in respect of investments classified as available for sale investments and investment in wholly owned subsidiary respectively.
- (b) Modaraba has charged unrealised loss of Rs. 8.43 million in respect of investment classified as held for trading investment in other comprehensive income instead of profit and loss account.

Had the impairment loss and unrealised loss been charged, the profit would have been reduced by Rs.130.83 million, investment in subsidiary company would have been lower by Rs.88.5 million (as per book value of Subsidiary), unrealized loss on re measurement of available for sale investments would have been lower by Rs.33.9 million.

- (c) 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;



In our opinion

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (e) In our opinion, because of the effects of the matters discussed in paragraph 'a' and 'b' above, the financial statements do not give a true and fair view of the financial position of the Modaraba as of June 30, 2012 and of its financial performance and its cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules 1981.
- (f) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

	Note	2012 Rupees	2011 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2011: 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	81,834,095	75,155,665
Unrealised loss on remeasurment of investments		(43,147,595)	(36,738,037)
<i>Total certificates holders' equity</i>		563,086,500	562,817,628
<i>Non-current liabilities</i>			
Deferred liabilities	8	1,831,735	1,607,811
<i>Total non-current liabilities</i>		1,831,735	1,607,811
<i>Current liabilities</i>			
Creditors, accrued and other liabilities	9	8,784,203	21,422,419
Provision for taxation		3,772,849	1,546,706
Unclaimed profit distribution		26,082,863	26,262,400
<i>Total current liabilities</i>		38,639,915	49,231,525
<i>Total equity and liabilities</i>		603,558,150	613,656,964
<i>Contingencies and commitments</i>	10		



	Note	2012 Rupees	2011 Rupees
<i>A sets</i>			
<i>Non-current assets</i>			
Fixed assets			
-tangible	11	19,131,977	18,580,172
-intangible	12	53,051,000	53,051,000
Long term investments	13	280,098,775	280,389,785
Advances-considered good		2,510,000	2,510,000
Deposits		1,150,000	1,350,000
<i>Total non-current assets</i>		355,941,752	355,880,957
<i>Current A sets</i>			
Morabaha/Musharaka			
receivables-secured	14	137,621,599	132,542,054
Short term investments	15	26,918,313	12,194,441
Advances	16	1,136,248	1,547,567
Trade deposits and prepayments	17	14,847,219	14,873,789
Other receivables	18	26,142,765	32,299,724
Tax refunds due from government		7,165,696	7,060,567
Bank balances	19	33,784,558	57,257,865
<i>Total current assets</i>		247,616,398	257,776,007
<i>Total A sets</i>		603,558,150	613,656,964

The annexed notes 1 to 35 form an integral part of these financial statements.

FIRST EQUITY MODARABA

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

Page 17

	Note	2012 Rupees	2011 Rupees
<i>Income</i>	20	29,668,392	17,888,385
 <i>Expenditures</i>			
Operating expenses	21	(17,282,614)	(16,551,114)
Financial charges	22	(861,044)	(16,565)
		(18,143,658)	(16,567,679)
<hr/>			
Operating profit		11,524,734	1,320,706
 Deficit on revaluation of investment classified as financial assets at fair value through profit or loss			
		-	(1,615,199)
Other income	23	725,130	534,828
Other charges		(2,355,894)	-
		9,893,970	240,335
Management fee		(989,397)	-
<hr/>			
Profit before taxation		8,904,573	240,335
 Taxation			
	24	(2,226,143)	(60,084)
<i>Profit for the year</i>		6,678,430	180,251
<hr/>			
 Earnings per certificate			
- basic and diluted	25	0.127	0.003

The annexed notes 1 to 35 form an integral part of these financial statements.

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Services (Private) Limited

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Services (Private) Limited



**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees									
<i>Profit for the year</i>	6,678,430	180,251									
Other comprehensive income											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Unrealized gain on remeasurement of available for sale investments</td> <td style="text-align: right;">(6,478,742)</td> <td style="text-align: right;">22,594,961</td> </tr> <tr> <td>Gain/(Loss) realised on disposal of investments</td> <td style="text-align: right;">69,184</td> <td style="text-align: right;">(7,778,552)</td> </tr> <tr> <td></td> <td style="text-align: right;">(6,409,558)</td> <td style="text-align: right;">14,816,409</td> </tr> </table>			Unrealized gain on remeasurement of available for sale investments	(6,478,742)	22,594,961	Gain/(Loss) realised on disposal of investments	69,184	(7,778,552)		(6,409,558)	14,816,409
Unrealized gain on remeasurement of available for sale investments	(6,478,742)	22,594,961									
Gain/(Loss) realised on disposal of investments	69,184	(7,778,552)									
	(6,409,558)	14,816,409									
Taxation relating to component of other comprehensive income	-	-									
Other comprehensive income	(6,409,558)	14,816,409									
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Total comprehensive income for the year</td> <td style="text-align: right;">268,872</td> <td style="text-align: right;">14,996,660</td> </tr> </table>			Total comprehensive income for the year	268,872	14,996,660						
Total comprehensive income for the year	268,872	14,996,660									

The annexed notes 1 to 35 form an integral part of these financial statements.

FIRST EQUITY MODARABA

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

Page 19

	Note	2012 Rupees	2011 Rupees
<i>Cash flows from operating activities</i>			
Profit before taxation		8,904,573	240,335
<i>Adjustments for:</i>			
Depreciation	11	1,526,274	1,665,202
Provision for gratuity	8	260,924	231,478
Deficit on revaluation of investment classified as financial assets at fair value through profit or loss		-	1,615,199
Dividend income	20	(4,538,086)	(3,968,029)
		(2,750,888)	(456,150)
Cash generated from / (used in) operations before working capital changes		6,153,685	(215,815)
Working Capital changes			
Decrease/(increase) in operating assets			
Morabaha/Musharaka receivables-secured		(5,079,545)	5,732,458
Advances		411,319	473,365
Trade deposits and prepayments		226,570	385,396
Other receivables		6,043,959	(22,582)
Increase/(decrease) in operating liabilities			
Creditors, accrued and other liabilities		(12,638,216)	11,533,542
		(11,035,913)	18,102,179
Staff retirement benefit-gratuity paid		(37,000)	(21,000)
Dividend paid		(179,537)	(91,130)
Taxes paid		(105,129)	(263,642)
<i>Net cash (used in) / generated from operating activities</i>		(5,203,894)	17,510,592
Cash flows from investing activities			
Investments		(20,842,420)	15,854,276
Dividend received		4,651,112	3,904,455
Purchase of tangible assets		(2,078,105)	(194,275)
<i>Net cash (used in) generated from investing activities</i>		(18,269,413)	19,564,456
Net (decrease) / increase in cash and cash equivalents		(23,473,307)	37,075,048
Cash and cash equivalents at beginning of the year		57,257,865	20,182,817
Cash and cash equivalents at the end of the year	19	33,784,558	57,257,865

The annexed notes 1 to 35 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

FIRST EQUITY MODARABA

	Certificate Capital	Statutory reserve*	Certificate premium account	General reserve	Accumulated loss	Total reserves	Unrealised loss on remeasurement of available-for- sale investment	Total
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
Total Comprehensive income for the year	-	-	-	-	180,251	180,251	14,816,409	14,996,660
Transfer to statutory reserve	-	90,125	-	-	(90,125)	-	-	-
Balance as at June 30, 2011	524,400,000	134,351,947	131,100,000	27,120,000	(217,416,282)	75,155,665	(36,738,037)	562,817,628
Total Comprehensive income for the year	-	-	-	-	6,678,430	6,678,430	(6,409,558)	268,872
Transfer to statutory reserve	-	3,339,215	-	-	(3,339,215)	-	-	-
Balance as at June 30, 2012	524,400,000	137,691,162	131,100,000	27,120,000	(214,077,067)	81,834,095	(43,147,595)	563,086,500

* 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 35 form an integral part of these financial statements.

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

2.3 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.

2.4 **Standards, interpretations and amendments to published approved 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, 2011 which affect these financial statements:

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

		Effective date (annual periods beginning on or after)
IFRS 7	Financial instrument - Disclosures	January 01, 2013 & January 01, 2015
IAS 1	Presentation of Financial Statements (Amendment)	July 01, 2012 & 1-Jan-13
IAS 12	Income Taxes (Amendment)	January 01, 2012
IAS 19	Employee Benefits (Revised)	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation (Amendment)	January 01, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
	Annual improvement to IFRS (the 2009- 2011 cycle)	January 01, 2013
	Standards issued by IASB but not yet notified by SECP	July 01, 2013
IFRS 9	Financial Instrument: Classification & Measurement	July 01, 2015
IFRS 10	Consolidated and Separate Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application.

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

3 Basis of measurement

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

4. *Use of estimates*

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

	Note
a) Useful life of depreciable assets/amortizable assets	5.1&5.2
b) Impairment of assets	5.1.2&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.

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.

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.

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
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 of this financial statement. Actuarial gains / losses are recognized over the average lives of the employees.
- 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.



- 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.

6. Certificate capital

2011 No. of Certificate	2012 No. of Certificate		2012 Rupees	2011 Rupees
		Modaraba certificates of Rs. 10 each fully paid-up in cash	462,220,000	462,220,000
46,220,000	46,220,000			
		Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,220,000	62,220,000
6,220,000	6,220,000			
<hr/> 52,440,000	<hr/> 52,440,000		<hr/> 524,400,000	<hr/> 524,400,000
6.1 Certificates held by associated companies and undertakings 489,000 (2011: 203,912).				

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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7. Reserves	Capital Reserve			Revenue Reserve			Total 2011
	Statutory* reserve	Certificate Premium Account	Total Reserve	Accumulated loss	General reserve	Total reserves	
	Rupees						
Opening balance	134,351,947	131,100,000	265,451,947	(217,416,282)	27,120,000	(190,296,282)	74,975,414
Transfer from profit and loss account	-	-	-	6,678,430	-	6,678,430	180,251
Transfer to statutory reserve	3,339,215	-	3,339,215	(3,339,215)	-	(3,339,215)	-
Closing balance	137,691,162	131,100,000	268,791,162	(214,077,067)	27,120,000	(186,957,067)	75,155,665

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 Rupees	2011 Rupees
8. Deferred liabilities			
Staff gratuity		1,831,735	1,607,811
8.1 General description			
The scheme provides for terminal/retirement benefits for all permanent employees who completed qualifying period of service with the modaraba at last drawn salary.			
Annual provision is based on actuarial valuation, which was carried out as at June 30, 2012 on September 26, 2012 using the Projected Unit Method.			
8.2 Amount recognized in the balance sheet are as follow:			
Present value of defined benefit obligation	8.3	1,831,735	1,607,811
Unrecognized actuarial losses		-	-
Total employee benefit obligation		1,831,735	1,607,811
8.3 Movement in net obligation			
Opening balance		1,607,811	1,397,333
Charge to profit and loss account	8.3.1	260,924	231,478
Benefits paid and adjustments		(37,000)	(21,000)
Closing balance		1,831,735	1,607,811
8.3.1 Gratuity expenses consist of:			
Current service cost		277,646	250,930
Interest cost		206,610	187,879
Actuarial (gains) recognized		(223,332)	(162,492)
Recognized transitional (assets)		-	(44,839)
		260,924	231,478
8.4 Principal actuarial assumptions			
Following principal actuarial assumptions were used for the valuation.			
Salary increase rate		12.50%	12%
Discount rate		11.50%	13%
9. Creditors accrued and other liabilities			
Payable to clients		4,836,482	18,022,053
Accrued expenses	9.1	2,710,466	3,202,440
Other liabilities	9.2	1,237,255	197,926
		8,784,203	21,422,419
9.1 This includes payable to Equity Textiles Limited amounting to Rs.240,000 (2011: Rs. 240,000).			
9.2 This represents payable to Premier Financial Services (Private) Limited.			

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FOR THE YEAR ENDED JUNE 30, 2012

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10. *Contingencies and commitments*

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

11. *Tangible*

2012

Particulars	Cost			Accumulated depreciation			Book value As at June 30, 2012 Rupees	Rate %
	As at July 01, 2011 Rupees	Addition Rupees	As at June 30, 2012 Rupees	As at July 01, 2011 Rupees	Charged during the year Rupees	As at June 30, 2012 Rupees		
Office premises	21,470,000		21,470,000	3,233,875	1,073,500	4,307,375	17,162,625	5
Furniture & fixtures	196,509		196,509	196,500	-	196,500	9	20
Motor vehicles	4,507,333	1,949,105 (1,022,000)	5,434,438	4,507,327	260,240 (1,021,999)	3,745,568	1,688,870	20
Computers	1,046,461	(468,206)	578,255	850,808	87,631 (468,186)	470,253	108,002	33
Office equipments	1,030,455	129,000 (191,450)	968,005	882,076	104,903 (191,445)	795,534	172,471	20
2012	28,250,758	396,449	28,647,207	9,670,586	(155,356)	9,515,230	19,131,977	

Particulars of Disposal	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain / (Loss) on Disposal	Mode of Disposal	Particulars
Computers	468,206	468,186	20	900	880	Scrap sale Negotiation	Khanani Enterprises
Office equipments	191,450	191,445	5	500	495	Scrap sale Negotiation	Khanani Enterprises
Motor vehicles	1,022,000	1,021,999	1	1	-	As per service Rules	Qazi Obaid Ullah Employee

2011

Particulars	Cost			Accumulated depreciation			Book value As at June 30, 2011 Rupees	Rate %
	As at July 01, 2010 Rupees	Addition Rupees	As at June 30, 2011 Rupees	As at July 01, 2010 Rupees	Charged during the year Rupees	As at June 30, 2011 Rupees		
Office premises	20,470,000	1,000,000	21,470,000	2,163,220	1,070,655	3,233,875	18,236,125	5
Furniture & fixtures	196,509	-	196,509	196,500	-	196,500	9	20
Motor vehicles	4,507,333	-	4,507,333	4,049,578	457,749	4,507,327	6	20
Computers	959,461	87,000	1,046,461	751,995	98,813	850,808	195,653	33
Office equipments	923,180	107,275	1,030,455	844,091	37,985	882,076	148,379	20
2011	27,056,483	1,194,275	28,250,758	8,005,384	1,665,202	9,670,586	18,580,172	

12. *Intangible*

	2012 Rupees	2011 Rupees
Cost	53,051,000	53,051,000
Transferred to tangible assets	-	-
	53,051,000	53,051,000



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These represents membership cards of Karachi and Islamabad Stock Exchanges as at June 30, 2012. Subsequently, following the corporatization process, Karachi and Islamabad Stock Exchanges has been converted from company limited Guarantee to unlisted Public limited Company. As a result, First Equity Modaraba has received 4,007,383 shares of Karachi Stock Exchange Limited and 3,034,603 shares of Islamabad Stock Exchange Limited as on August 15, 2012 and August 16, 2012 respectively, face value of Rs 10/- each. Furthermore, as per the demutualization process, in addition to the aforesaid mention shares, one Trading Right of each Exchange was also received by the Modaraba.

	Note	2012 Rupees	2011 Rupees
13 Long term investments			
Investment in subsidiary	13.1	250,000,000	250,000,000
		250,000,000	250,000,000
Investment classified as available-for-sale financial assets			
Listed securities	13.2.1	28,298,775	29,130,020
Unlisted securities	13.2.2	1,800,000	1,800,000
		30,098,775	30,930,020
		280,098,775	280,930,020

13.1 Investment in subsidiary

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

2011 Number	2012 Number		2012 Rupees	2011 Rupees
25,000,000	25,000,000	Equity Textile Limited 13.1.1	250,000,000	250,000,000

13.1.1 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 6.46 (2011: Rs. 6.03) as per financial statements as at June 30, 2012 audited by BDO Ebrahim & Company, Chartered Accountants.

13.2 Investment classified as available-for-sale financial assets**13.2.1 Listed securities**

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

2011 Number	2012 Number		2012 Rupees	2011 Rupees
		<i>Open-end mutual funds</i>		
11,197	11,968	Dawood Money Market Fund (Unit of Rs. 100 each)	918,743	910,741
		<i>Oil and Gas</i>		
3,610	1,259	Attock Petroleum Limited	597,232	1,351,115
17,000	12,000	Oil & Gas Development Company Limited	1,925,280	2,600,830
13,870	12,870	Pakistan Oilfields Limited	4,722,518	4,979,469

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2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Chemicals</i>				
166,000	166,000	Fauji Fertilizer Bin Qasim Limited	6,776,120	6,996,900
4,375	6,562	Fauji Fertilizer Company Limited	728,710	657,781
10,000	10,000	ICI Pakistan Limited	1,310,700	1,518,500
9,400	9,400	Sitara Peroxide Limited	93,060	157,450
<i>Construction and materials</i>				
94,535	94,535	Fauji Cement Company Limited	532,232	389,484
11,603	11,603	Lucky Cement Limited	1,338,870	821,956
7,000	7,000	Maple Leaf Cement Factory Limited	32,410	14,420
<i>Industrial metals and mining</i>				
37,500	37,500	Siddiqsons Tin Plates Limited	271,875	336,375
<i>Automobile and parts</i>				
1,043	1,043	Indus Motor Company Limited	255,618	229,460
<i>Fixed line telecommunication</i>				
50,000	50,000	Pakistan Telecommunication Company Limited	684,500	711,000
<i>Gas water and multiutilities</i>				
36,498	38,323	Sui Northern Gas Pipelines Limited	647,275	727,040
<i>Banks</i>				
9,362	10,766	Askari Bank Limited	146,095	101,859
22,500	20,000	The Bank of Punjab	153,600	131,400
7,986	8,784	Habib Bank Limited	991,187	926,855
<i>Non life insurance</i>				
4,188	4,188	Adamjee Insurance Company Limited	243,951	272,178
<i>Financial services</i>				
13,125	14,437	Arif Habib Securities Limited	446,536	345,188
22,000	22,000	Javed Omer Vohra & Company Limited	41,800	55,440
14,703	14,703	Jahangir Siddiqui & Company Limited	182,464	95,275
18,000	18,000	JS Investment Limited	131,580	91,800
5,875	5,875	Pervez Ahmed Securities Limited	9,870	8,460
<i>Equity investment instruments</i>				
760,000	760,000	First Dawood Mutual Funds	2,910,800	1,740,400
135,550	135,550	PICIC Growth Fund	1,660,259	1,813,659
99,000	99,000	PICIC Investment Fund	545,490	579,150
			28,298,775	28,564,185



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

13.2.2 Unlisted securities

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

2011 Number	2012 Number		Note	2012 Rupees	2011 Rupees
50,000	50,000	Sapphire Power Generation Limited	13.2.2.1	1,800,000	1,800,000
78,150	78,150	Callmate Telips Telecom Limited	13.2.2.2	-	-
				1,800,000	1,800,000

13.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 65.96 (2010: Rs.63.65) as per financial statements as at June 30, 2011 audited by Riaz Ahmad, Saqib, Gohar & Company Chartered Accountants.

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

	Note	2012 Rupees	2011 Rupees
<i>14. Morabaha/Mustaraka receivables-secured</i>			
Musharaka - considered good	15.2	137,621,599	132,542,054
Morabaha - considered doubtful		17,380,055	17,380,055
		155,001,654	149,922,109
Provision for non performing assets		(17,380,055)	(17,380,055)
		137,621,599	132,542,054

14.1 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 % (2011: 12 % to 20%).

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

	Note	2012 Rupees	2011 Rupees
<i>15. Short term investments</i>			
Investment classified as financial asset at fair value through profit or loss			
Listed securities	15.1	26,918,313	12,194,441

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15.1 Listed securities

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

2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Oil and Gas</i>				
-	511,355	Byco Petroleum Pakistan Limited	4,310,494	-
-	3,000	Pakistan State Oil Company Ltd	707,520	-
<i>Chemicals</i>				
-	330,692	DS Industries Ltd	499,345	-
-	13,000	Engro Corporation Ltd	1,323,920	-
-	100,000	Engro Polymer & Chemicals Ltd	985,000	-
-	10,000	Fatima Fertilizer Ltd	246,700	-
-	600	Fauji Fertilizer Company Limited	66,630	-
-	75,000	Lotte Pakistan PTA Limited	527,250	-
<i>Construction and materials</i>				
10,000	8,000	Attock Cement Pakistan Limited	651,520	485,300
-	425,000	Dewan Cement Ltd	1,457,750	-
-	4,000	D.G. Khan Cement Company Limited	157,520	-
-	50,000	Fauji Cement Company Limited	281,500	-
-	200,000	Fly Cement Ltd	540,000	-
-	42,500	Lafarge Pakistan Cement Ltd	183,600	-
2,830	12,427	Lucky Cement Limited	1,433,952	200,477
-	6,500	Maple Leaf Cement Factory Limited	30,095	-
<i>Support services</i>				
40,000	-	TRG Pakistan Limited	-	102,400
<i>Personal goods</i>				
-	99,358	Azgard Nine Limited	635,891	-
-	16,570	Gellate Pakistan Ltd	1,035,128	-
-	1,000	Nishat Mills Limited	47,580	-
-	2,000	Sohail Jute Ltd	18,000	-
1,450	1,450	Treet Corporation	74,806	75,429
<i>Pharma and biotech</i>				
-	6,751	IBL Healthcare Limited	142,784	-
3,300	3,300	Searl Pakistan Limited	157,047	163,050
<i>Automobile and parts</i>				
1,789	1,789	Millat Tractors	863,819	1,076,459
<i>Fixed line telecommunication</i>				
-	10,000	TeleCard Ltd	14,900	-
-	111,500	Worldcall Telecom Limited	228,575	-



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2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Electricity</i>				
-	25,000	Karachi Electricity Supply Company Limited	81,000	-
25,000	25,000	Kot Addu Power Company Ltd	1,125,000	1,065,250
2,443	2,000	Kohinoor Energy Limited	43,000	40,310
100,000	100,000	Nishat Power Ltd	1,470,000	1,544,000
-	15,000	Pakgen Power Ltd	191,850	-
<i>Gas water and multiutilities</i>				
25,324	-	Sui Northern Gas Pipelines Limited	-	504,454
<i>Banks</i>				
-	32,500	Askari Bank Limited	441,025	-
-	375,000	JS Bank Ltd	1,912,500	-
-	44,000	National Bank of Pakistan	1,915,987	-
-	225,000	NIB Bank Limited	447,750	-
95,000	-	United Bank Limited	-	5,881,450
<i>Financial services</i>				
-	7,500	Jahangir Siddiqui & Company Limited	93,075	-
-	200,855	JS Investment Limited	1,468,250	-
<i>Non life insurance</i>				
13,800	13,800	Adamjee Insurance Company Limited	803,850	896,862
10,000	10,000	Pakistan Reinsurance company Limited	171,100	159,000
<i>Real estate investment and services</i>				
-	65,000	PACE (Pakistan) Limited	132,600	-
			26,918,313	12,194,441
		Note	2012 Rupees	2011 Rupees
<i>16</i>	<i>A</i>	<i>Advances - considered good</i>	16.1	1,136,248
				1,547,567

FIRST EQUITY MODARABA

- 16.1 These include advances to employees at June 30, 2012 amounting to Rs.1,198,159 (2011: Rs. 1,526,556). The maximum aggregate amount due from employees at the end of any month during the year was Rs.1,648,443 (2011: Rs. 1,891,418). These are secured against the property documents retained by the Modaraba.
- 16.2 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS
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	Note	2012 Rupees	2011 Rupees
17. Trade deposits and prepayments			
Deposits		14,668,606	14,724,648
Prepayments		178,613	149,141
		14,847,219	14,873,789

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

		2012 Rupees	2011 Rupees
18. Other receivables			
Sale proceeds of investments		237,205	878,879
Receivable from clients	18.1 & 18.2	25,286,870	30,689,155
Dividend		-	113,000
Others	18.2	618,690	618,690
		26,142,765	32,299,724

18.1 *Receivable from clients*

Considered good		25,286,870	30,689,155
Considered doubtful		12,500,000	12,500,000
		37,786,870	43,189,155
Less: Provision for doubtful debts	18.1.1	(12,500,000)	(12,500,000)
		25,286,870	30,689,155

18.1.1 *Movement in provision for doubtful debts*

Opening provision		12,500,000	12,500,000
Charge for the year		-	-
		12,500,000	12,500,000

18.2 Receivable from clients and others include receivable from related parties amounting to Rs. 148,479 (2011: Rs.63,099).

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

	Note	2012 Rupees	2011 Rupees
19. Bank balance			
-in current accounts		17,527,280	2,173,763
-in saving accounts	19.1	16,257,278	55,084,102
		33,784,558	57,257,865

19.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 7% (2011: 5% to 7%) per annum.

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



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	Note	2012 Rupees	2011 Rupees
<i>20. Income</i>			
Profit on musharaka		19,012,211	19,109,436
Brokerage commission		705,908	1,669,783
Capital gain / (loss)		5,412,187	(6,858,863)
Dividend		4,538,086	3,968,029
		29,668,392	17,888,385

21. Operating expenses

Salaries, allowances and benefits	21.1	4,159,714	4,486,254
Traveling, conveyance and entertainment		480,357	535,033
Telephone and postage		582,888	494,846
Electricity		481,492	543,643
Insurance		213,477	169,829
Printing, stationery and advertising		884,049	35,408
Fees and subscriptions		955,705	1,148,532
Vehicle running and maintenance		1,593,734	1,208,218
Depreciation	11	1,526,274	1,665,202
Facilities and services		4,355,866	3,555,784
Repair and maintenance		742,061	948,283
Annual Review Meeting		48,200	34,410
Auditors' remuneration	21.3	275,858	271,448
Legal and professional		627,849	1,193,964
Training and development		27,500	15,000
Shariah Advisor		35,000	-
Zakat deducted at source		750	-
KSE & SECP Charges		169,530	163,132
Withholding & CVT tax		9,507	5,936
Others		112,803	76,192
		17,282,614	16,551,114

21.1 *Remuneration of officers and other employees*

The aggregate amount charged in the financial statements for remuneration, including benefits to 10 (2011 : 11) employees of the modaraba is:

	2012		2011	
	Officers	Other employees	Officers	Other employees
	Rupees		Rupees	
Salaries and allowances	1,932,000	1,002,000	1,932,000	1,367,677
Gratuity and leave fare	242,532	163,954	331,488	182,335
Expenses reimbursed:				
- Medical	67,868	131,045	171,914	175,526
	2,242,400	1,296,999	2,435,402	1,725,538

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21.2 Salaries, allowances and benefits include provision for gratuity of Rs. 260,924 (2011: Rs. 208,917). Officers are also provided with free use of the Modaraba maintained cars.

	2012	2011
	Rupees	Rupees
21.3 <i>Auditor's remuneration</i>		
Audit fee	130,000	130,000
Half yearly review	25,000	25,000
Other fees	120,858	116,448
	275,858	271,448

22. *Financial Charges*

Musharaka Profit	850,000	-
Bank Charges	11,044	16,565
	861,044	16,565

23. *Other income*

Profit on PLS deposits	723,755	534,828
Gain on sale of fixed assets	1,375	-
	725,130	534,828

24. *Taxation*

Current	2,226,143	60,084
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Assessment upto and including the tax year 2011 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.

	2012	2011
	Rupees	Rupees
25. <i>Earnings per certificates - basic and diluted</i>		
Profit for the year	6,678,430	180,251

Weighted average number of certificates outstanding during the year	Number	Number
	52,440,000	52,440,000

Earnings per certificate - basic and diluted	Rupees	Rupees
	0.127	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 instruments:

- Credit risk
- Liquidity risk
- Market risk



Credit and concentration risk

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

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

Business	2012		2011	
	Rupees	%	Rupees	%
Open-end mutual funds	918,743	0.19	910,741	0.19
Oil and Gas	12,263,044	2.50	8,931,414	1.87
Chemicals	12,557,435	2.56	9,330,631	1.95
Industrial metals and mining	271,875	0.06	336,375	0.07
Construction and materials	6,639,449	1.35	1,911,637	0.40
Support Services	-	-	128,000	0.03
Personal goods	253,611,405	51.71	250,075,429	52.35
Automobile and parts	1,119,437	0.23	1,305,919	0.27
Pharma and biotech	299,831	0.06	163,050	0.03
Fixed line telecommunication	927,975	0.19	711,000	0.15
Electricity	2,910,850	0.59	4,449,560	0.93
Gas water and multiutilities	647,275	0.13	1,231,494	0.26
Banks	6,008,144	1.23	7,041,564	1.47
Non life insurance	1,218,901	0.25	1,328,040	0.28
Financial services	2,373,575	0.48	596,163	0.12
Real estate investment and services	132,600	0.03	-	-
Equity investment instruments	5,116,549	1.04	4,133,209	0.87
Engineering	11,281,316	2.30	8,154,558	1.71
Others	172,126,515	35.10	176,968,576	37.05
	490,424,919	100	477,707,360	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:

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	2012 Rupees	2011 Rupees
Investment	307,017,088	292,584,226
Morabaha/Musharaka receivables-secured	137,621,599	132,542,054
Advances-considered good	3,646,248	4,057,567
Trade deposits and prepayments	15,997,219	16,223,789
Other receivables	26,142,765	32,299,724
	490,424,919	477,707,360

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.

	2012			
	Less than one year	Over one year but less than five years	Over five years	Total
	----- Rupees -----			
Assets				
Long term investments	-	30,098,775	250,000,000	280,098,775
Morabaha & musharaka receivables	137,621,599	-	-	137,621,599
Short term investments	26,918,313	-	-	26,918,313
Advances	1,136,248	2,510,000	-	3,646,248
Trade deposits	14,668,606	1,150,000	-	15,818,606
Other receivables	26,142,765	-	-	26,142,765
Tax refunds due from government	7,165,696	-	-	7,165,696
Bank balances	33,784,558	-	-	33,784,558
	247,437,785	33,758,775	250,000,000	531,196,560
Liabilities				
Deferred liabilities	-	1,831,735	-	1,831,735
Creditors, accrued and other liabilities	8,784,203	-	-	8,784,203
Provision for taxation	3,772,849	-	-	3,772,849
Unclaimed profit distribution	26,082,863	-	-	26,082,863
	38,639,915	1,831,735	-	40,471,650
Net balance	208,797,870	31,927,040	250,000,000	490,724,910



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	2011			Total
	Less than one year	Over one year but less than five years	Over five years	
----- Rupees -----				
Assets				
Long term investments	-	30,389,785	250,000,000	280,389,785
Morabaha & musharaka receivables	119,022,100	-	-	119,022,100
Short term investments	12,194,441	-	-	12,194,441
Advances	1,547,567	2,510,000	-	4,057,567
Trade deposits	14,724,648	1,350,000	-	16,074,648
Other receivables	45,819,678	-	-	45,819,678
Tax refunds due from government	7,060,567	-	-	7,060,567
Bank balances	57,257,865	-	-	57,257,865
	257,626,866	34,249,785	250,000,000	541,876,651
Liabilities				
Deferred liabilities	-	1,607,811	-	1,607,811
Creditors, accrued and other liabilities	21,422,419	-	-	21,422,419
Provision for taxation	1,546,706	-	-	1,546,706
Unclaimed profit distribution	26,262,400	-	-	26,262,400
	49,231,525	1,607,811	-	50,839,336
Net balance	208,395,341	32,641,974	250,000,000	491,037,315

Market risk

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

Operational Risk

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

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

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

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.

	2012 Rupees	2011 Rupees
27.1 Financial instruments by category		
Financial assets		
loans and receivables		
Morabaha/Musharaka receivables	137,621,599	119,022,100
Advances	3,646,248	4,057,567
Trade deposits	15,818,606	16,074,648
Other receivables	26,142,765	45,819,678
Bank balances	33,784,558	57,257,865
Financial assets at fair value through profit or loss		
Short term investments	26,918,313	12,194,441
<i>Available-for-sale financial assets</i>		
Long term investments	30,098,775	30,930,020
	274,030,864	285,356,319
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Creditors, accrued and other liabilities	8,784,203	21,422,419
Unclaimed profit distribution	26,082,863	26,262,400
	34,867,066	47,684,819
On balance sheet gap	239,163,798	237,671,500



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

	2012				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
----- Rupees -----					
Assets					
Tangible assets	-	-	-	19,131,977	19,131,977
Intangible assets	-	-	-	53,051,000	53,051,000
Long term investments	-	-	280,098,775	-	280,098,775
Morabaha & musharaka receivables	34,740,843	102,880,756	-	-	137,621,599
Short term investments	-	26,918,313.00	-	-	26,918,313
Advances	-	1,136,248	2,510,000	-	3,646,248
Trade deposits and prepayments	51,050	14,796,169	1,150,000	-	15,997,219
Other receivables	-	26,142,765	-	-	26,142,765
Tax refunds due from government	-	7,165,696	-	-	7,165,696
Bank balances	-	33,784,558	-	-	33,784,558
	34,791,893	212,824,505	283,758,775	72,182,977	603,558,150
Liabilities					
Deferred liabilities	-	-	1,831,735	-	1,831,735
Creditors, accrued and other liabilities	1,598,751	7,185,452	-	-	8,784,203
Provision for taxation	-	3,772,849	-	-	3,772,849
Unclaimed profit distribution	-	26,082,863	-	-	26,082,863
	1,598,751	37,041,168	1,831,735	-	40,471,650
Net balance	33,193,142	175,783,341	281,927,040	72,182,977	563,086,500

	2011				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
----- Rupees -----					
Assets					
Tangible assets	-	-	-	18,580,172	18,580,172
Intangible assets	-	-	-	53,051,000	53,051,000
Long term investments	-	-	280,389,785	-	280,389,785
Morabaha & musharaka receivables	30,754,558	88,267,542	-	-	119,022,100
Short term investments	-	12,194,441	-	-	12,194,441
Advances	47,334	1,500,233	2,510,000	-	4,057,567
Trade deposits and prepayments	108,092	14,765,697	1,350,000	-	16,223,789
Other receivables	11,280,528	34,539,150	-	-	45,819,678
Tax refunds due from government	-	7,060,567	-	-	7,060,567
Bank balances	57,257,865	-	-	-	57,257,865
	99,448,377	158,327,630	284,249,785	71,631,172	613,656,964
Liabilities					
Deferred liabilities	-	-	1,607,811	-	1,607,811
Creditors, accrued and other liabilities	1,527,853	19,894,566	-	-	21,422,419
Provision for taxation	-	1,546,706	-	-	1,546,706
Unclaimed profit distribution	-	26,262,400	-	-	26,262,400
	1,527,853	47,703,672	1,607,811	-	50,839,336
Net balance	97,920,524	110,623,958	282,641,974	71,631,172	562,817,628

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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29. Yield/P rofit rate risk exposure

DESCRIPTION	Effective yield / profit risk % age	2012						2012 Total
		Yield / profit bearing maturing		Non yield / profit bearing maturing		Sub-total		
		With 1 year	After 1 year	With 1 year	After 1 year			
Rupees								
Financial assets								
Long term investments		-	30,098,775	30,098,775	-	-	30,098,775	
Morabaha/Musharika receivables	12% to 20%	137,621,599	-	137,621,599	-	-	137,621,599	
Short term investments		26,918,313	-	26,918,313	-	-	26,918,313	
Advances		-	-	-	1,136,248	2,510,000	3,646,248	
Trade deposits		-	-	-	14,668,606	1,150,000	15,818,606	
Other receivables		-	-	-	26,142,765	-	26,142,765	
Bank balances	5% to 7%	16,257,278	-	16,257,278	17,527,280	-	33,784,558	
		180,797,190	30,098,775	210,895,965	59,474,899	3,660,000	274,030,864	
Financial Liabilities								
Creditors, accrued and other liabilities		-	-	-	8,784,203	-	8,784,203	
Unclaimed profit distribution		-	-	-	26,082,863	-	26,082,863	
		-	-	-	34,867,066	-	34,867,066	
On balance sheet gap		180,797,190	30,098,775	210,895,965	24,607,833	3,660,000	239,163,798	

- 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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

FIRST EQUITY MODARABA

DESCRIPTION	Effective yield / profit risk % age	2011						2011 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		With 1 year	After 1 year	Sub-total	With 1 year	After 1 year	Sub-total	
Rupees								
Financial assets								
Long term investments		-	30,389,785	30,389,785	-	-	30,389,785	
Morabaha/Musharika receivables	12% to 20%	119,022,100	-	119,022,100	-	-	119,022,100	
Short term investments		12,194,441	-	12,194,441	-	-	-	
Advances		-	-	-	1,547,567	2,510,000	4,057,567	
Trade deposits		-	-	-	14,724,648	1,350,000	16,074,648	
Other receivables		-	-	-	45,819,678	-	45,819,678	
Bank balances	5% to 7%	55,084,102	-	55,084,102	2,173,763	-	57,257,865	
		186,300,643	30,389,785	216,690,428	64,265,656	3,860,000	272,621,643	
Financial Liabilities								
Creditors, accrued and other liabilities		-	-	-	21,422,419	-	21,422,419	
Unclaimed profit distribution		-	-	-	26,262,400	-	26,262,400	
		-	-	-	47,684,819	-	47,684,819	
On balance sheet gap		186,300,643	30,389,785	216,690,428	16,580,837	3,860,000	224,936,824	

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.

	2012				2011	
	Musharaka facility	Brokerage operation	Capital market	Others	TOTAL	TOTAL
Segment revenues	19,012,211	705,908	9,950,273	725,130	30,393,522	18,423,213
Segment result	19,012,211	(4,096,438)	9,950,273	725,130	25,591,176	11,608,955
Unallocated cost						
Operating expenses					(13,341,312)	(11,368,620)
Management fee					(989,397)	-
Other charges					(2,355,894)	-
Profit before taxation					8,904,573	240,335
Taxation					(2,226,143)	(60,084)
Profit for the year					6,678,430	180,251
Other information						
Segment assets	137,621,599	78,469,255	307,254,293	-	523,345,147	510,127,316
Unallocated assets					80,213,003	104,529,648
Total assets					603,558,150	613,656,964
Segment liabilities	-	4,836,482	-	-	4,836,482	18,022,053
Unallocated liabilities					35,635,168	32,817,283
Total liabilities					40,471,650	50,839,336



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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:

	2012	2011
	Rupees	Rupees
31.1 Balance outstanding at year end		
Modaraba Management Company		
- Current account payable	247,858	197,926
- Management Fee	989,387	-
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	1,831,735	1,607,811
31.2 Transactions during the year		
Modaraba Management Company		
- reimbursement	4,355,866	3,555,784
Other related parties (other than key management personnel)		
- Contribution to staff gratuity fund	260,924	231,478
	Relationship	
Dividend income	Associated company 400	802
Services acquired	Associated company 179,958	200,162
Brokerage commission earned	Associated company 13,269	12,734

32. Number of employees

Total number of employees of the Modaraba as at June 30, 2012 are 10 (2011: 11).

33 Corresponding Figures

33.1 Figures have been rounded off to the nearest rupee.

33.2 Prior years figures have been reclassified for the purpose of better presentation and comparison.

Reclassification from	Reclassification to	Amount
<i>Other Receivable</i>	<i>Morabaha / Musharaka Receivable</i>	
- Musharaka Profit		18,521,599 13,519,954

34 Authorization for issue

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 03, 2012.

35 General

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

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012**

Number of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
1858	1	100	106,952
1116	101	500	286,542
1236	501	1000	863,998
939	1001	5000	2,201,945
250	5001	10000	1,972,071
90	10001	15000	1,186,433
54	15001	20000	997,184
32	20001	25000	725,631
42	25001	30000	1,169,491
24	30001	35000	792,081
8	35001	40000	299,869
8	40001	45000	331,796
18	45001	50000	876,410
15	50001	55000	782,829
9	55001	60000	522,081
5	60001	65000	314,221
6	65001	70000	403,120
4	70001	75000	299,100
5	75001	80000	383,627
1	80001	85000	81,334
3	85001	90000	259,463
2	90001	95000	183,409
7	95001	100000	694,323
4	100001	105000	406,151
3	110001	115000	336,848
3	115001	120000	352,073
1	120001	125000	123,000
1	125001	130000	128,875
1	130001	135000	132,356
2	145001	150000	296,856
2	156001	155000	304,742
1	155001	160000	159,516
1	165001	170000	169,455
4	170001	175000	686,510
1	175001	180000	177,437
1	180001	185000	181,659
1	190001	195000	191,195
1	195001	200000	198,000
2	200001	205000	405,262
1	205001	210000	205,994
1	210001	215000	213,198
1	220001	225000	220,676
2	225001	230000	457,416
1	245001	250000	250,000
2	285001	290000	579,081
1	290001	295000	292,214
1	295001	300000	300,000
1	300001	305000	301,197
1	315001	320000	319,835
2	340001	345000	688,000
1	345001	350000	345,426
1	350001	355000	355,000
1	375001	380000	379,684
1	380001	385000	383,050
1	425001	430000	429,000
1	455001	460000	457,500
1	495001	500000	496,694
1	515001	520000	519,914
1	540001	545000	542,038
1	595001	600000	599,982
1	730001	735000	734,494
1	905001	910000	907,135
1	995001	1000000	2,000,000
2	1060001	1065000	1,061,000
1	1320001	1325000	1,321,804
1	1395001	1400000	1,399,733
1	1780001	1785000	1,780,110
1	1950001	1955000	1,954,697
1	1995001	2000000	2,000,000
1	2765001	2770000	2,767,284
1	2945001	2950000	2,949,999
1	524001	5245000	5,244,000
5798			52,440,000

FIRST EQUITY MODARABA

**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2012**

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<i>Categories of Certificate Holders</i>	<i>Number of Certificate Holders</i>	<i>Certificate Held</i>	<i>Percentage %</i>
DIRECTORS, CEO AND CHILDREN	4	508778	0.97
ASSOCIATE COMPANIES	4	489000	0.93
NIT & ICP	3	1826251	3.48
BANKS DFI & NBFI	9	2705957	5.16
INSURANCE COMPANIES	7	1353041	2.58
MODARABAS & MUTUAL FUNDS	5	52550	0.10
GENERAL PUBLIC (LOCAL)	4540	33321179	63.55
GENERAL PUBLIC (FOREIGN)	1194	1416572	2.70
OTHERS	54	10766672	20.53
	5820	52440000	100.00

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Zahid Bashir	19,500
Nazia Maqbool	134,660
Ambreen Zahid Bashir	202,262
Nadeem Maqbool	179,356



**NOTICE FOR BOOK CLOSURE
& ANNUAL REVIEW MEETING**

The 13th Annual Review Meeting of certificate holders of First Equity Modaraba will be held on Wednesday, October 31, 2012 at 6:30 pm. at Tipu Sultan Hall, Bangalore Town, Off Tipu Sultan Road Karachi to review the performance of the Modaraba for the financial year ended June 30, 2012.

The certificate transfer book of the Modaraba shall remain closed from Thursday October 18, 2012 to Wednesday October 31, 2012 (both days inclusive). All transfers received by our certificate registrar M/s THK Associates (Pvt) Ltd. State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi before the close of business on Wednesday, October 17, 2012 registrar will be treated valid for attending the Annual Review Meeting.

FIRST EQUITY MODARABA

By Order of the Board

October 03, 2012
Karachi.

Qazi Obaid Ullah
Company Secretary

*Auditors Report and
Consolidated Financial Statements
of
First Equity Modaraba
and
Equity Textiles Ltd.
for the year ended June 30, 2012*



We have audited the annexed consolidated financial statements comprising consolidated balance sheet of FIRST EQUITY MODARABA (the Modaraba) and its subsidiary company as at June 30, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended. We have also expressed separate opinion on the financial statements of Modaraba. The financial statements of subsidiary company were audited by another auditors, whose report has been furnished to us and our opinion, in so far as its relates to the amounts included for the subsidiary company, is based solely on the report of such other auditors who expressed an unqualified opinion with emphasis of matter paragraph regarding significant doubt about the Company's ability to continue as going concern.

These consolidated financial statements are the Modaraba Company's [Premier Financial Services (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 (XXXI of 1980), Modaraba Companies and Modaraba Rules, 1981 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

- (a) The Modaraba has not charged impairment loss of Rs.33.99 million in respect of investments classified as available for sale investments.
- (b) Modaraba has charged unrealised loss of Rs. 8.43 million in respect of investment classified as held for trading investment in other comprehensive income instead of profit and loss account.

Had the impairment loss and unrealised loss been charged, the profit would have been reduced by Rs.42.42 million and unrealized loss on re measurement of available for sale investments would have been lower by Rs.33.99 million. In our opinion, except for the matters stated in paragraph (a & b), the consolidated financial statements examined by us, present fairly the financial position of First Equity Modaraba and its subsidiary company as at June 30, 2012 and the results of their operations, comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Further, the auditor of subsidiary company has modified their report by adding an emphasis of matter paragraph as follows:

"Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that the Company's accumulated losses aggregated to Rs.307.689 million (2011: Rs. 344.552 million) which exceeds the paid up capital by Rs. 57.689 million. These conditions, along with other matters as set forth in note 1.2 indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern."

Avais Hyder Liaquat Nauman
Chartered Accountant

Adnan Zaman
Engagement Partner

October 03, 2012
Karachi

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2012

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	Note	2012 Rupees	2011 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2011: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000
<hr/>			
Certificate holders' equity			
Certificate capital	6	524,400,000	524,400,000
Reserves	7	(217,791,911)	(260,420,117)
Unrealised loss on remeasurement of investments		(43,147,595)	(36,738,037)
<i>Total certificate holders' equity</i>		263,460,494	227,241,846
<hr/>			
Surplus on revaluation of fixed assets	8	222,698,114	247,442,349
 <i>Non-current liabilities</i>			
Subordinated loan	9	40,000,000	40,000,000
Long term financing	10	614,557,582	736,336,624
Deferred markup	11	85,537,448	86,564,131
Deferred liabilities	12	71,674,848	71,713,666
<i>Total non-current liabilities</i>		811,769,878	934,614,421
 <i>Current liabilities</i>			
Short term borrowings	13	144,793,836	192,613,867
Current portion of long term liabilities	14	133,779,045	99,779,043
Creditors, accrued and other liabilities	15	127,173,069	124,733,541
Accrued mark up	16	21,080,101	24,516,294
Taxation - net	17	8,150,259	-
Unclaimed profit distribution		26,082,863	26,262,400
<i>Total current liabilities</i>		461,059,173	467,905,145
<hr/>			
<i>Total equity and liabilities</i>		1,758,987,659	1,877,203,761
<hr/>			
<i>Contingencies and commitments</i>	18		



CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
<i>A sets</i>			
<i>Non-current assets</i>			
Fixed assets			
-tangible	19	985,063,665	1,076,639,938
-intangible	20	42,704,497	42,704,497
Long term investments	21	58,889,493	60,093,840
Advances		2,510,000	2,510,000
Deposits		1,150,000	1,350,000
<i>Total non-current assets</i>		1,090,317,655	1,183,298,275
<i>Current A sets</i>			
Store and spares	22	18,399,747	14,875,296
Stock-in-trade	23	223,621,837	251,041,430
Trade debts	24	108,144,771	108,804,727
Morabaha/Musharaka receivables-secured	25	137,621,599	132,542,054
Short term investments	26	26,918,313	12,194,441
Advances	27	41,791,426	37,030,819
Trade deposits and prepayments	28	14,861,677	16,340,092
Other receivables	29	28,075,620	33,999,724
Tax refunds from government authorities	30	25,797,142	21,289,027
Cash and bank balances	31	43,437,872	65,787,876
<i>Total current assets</i>		668,670,004	693,905,486
<i>Total A sets</i>		1,758,987,659	1,877,203,761

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

FIRST EQUITY MODARABA

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

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	Note	2012 Rupees	2011 Rupees
<i>Income</i>	32	207,919,724	113,535,162
<i>Expenditures</i>			
Operating expenses	33	(27,486,769)	(42,383,427)
Distribution and selling expenses	34	(12,335,115)	(10,032,969)
		(39,821,884)	(52,416,396)
Operating profit		168,097,840	61,118,766
Financial charges	35	(124,174,302)	(140,603,251)
		43,923,538	(79,484,485)
Deficit on revaluation of investment classified as financial assets at fair value through profit or (loss)		-	(1,615,199)
Other income	36	1,133,389	1,784,185
		45,056,927	(79,315,499)
Other charges	37	(4,813,228)	-
Management fee		(989,397)	(31,701)
Share of profit in associated company		67,797	2,099,941
Profit / (Loss) before taxation		39,322,099	(77,247,259)
Taxation	38		
- current		(20,995,997)	(20,885,510)
- prior		(704,873)	-
- Deferred		262,742	41,585,184
		(21,438,128)	20,699,674
Profit / (Loss) for the year		17,883,971	(56,547,585)
Earnings / (Loss) per certificate	39		
- basic and diluted		0.34	(1.08)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
<i>Profit / (Loss) for the year</i>	17,883,971	(56,547,585)
Other comprehensive income		
Unrealized (loss) / gain on remeasurement of available for sale investments	(6,478,742)	22,594,961
Gain realised on disposal of investments	69,184	(7,778,552)
	(6,409,558)	14,816,409
Taxation relating to component of other comprehensive income	-	-
Other comprehensive (loss) / income	(6,409,558)	14,816,409
<hr/>		
Total comprehensive income / (loss) for the year	11,474,413	(41,731,176)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

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	2012 Rupees	2011 Rupees
<i>Cash flows from operating activities</i>		
Profit / (Loss) before taxation	39,322,099	(77,247,259)
<i>Adjustments for:</i>		
Depreciation	105,492,589	115,942,375
Provision for gratuity	260,924	231,478
Share of profit in associated company	(67,797)	(2,099,941)
Deficit on revaluation of investment classified as financial assets at fair value through profit or (loss)	-	1,615,199
Dividend income	(4,538,086)	(3,968,029)
Gain on sale of asset	(225,040)	-
Liabilities written back	-	(1,242,703)
Provision for doubtful debts	135,283	-
Financial charges	124,174,302	140,586,686
	225,232,175	251,065,065
Cash generated from operations before working capital changes	264,554,274	173,817,806
Working Capital changes		
Decrease in operating assets		
Store, Spares and Loose tools	(3,524,451)	(6,860,321)
Stock-in-trade	27,419,593	(165,939,711)
Trade debts	659,956	12,961,158
Morabaha/Musharaka receivables	(5,079,545)	5,732,458
Advances	(4,760,607)	(29,651,443)
Trade deposits and prepayments	1,478,415	1,274,475
Other receivables	5,924,104	239,381
Tax refund from government authorities	(1,917,241)	2,027,430
Increase/(decrease) in operating liabilities		
Short term borrowing	(47,820,031)	192,613,867
Creditors, accrued and other liabilities	36,439,530	46,470,415
	8,819,723	58,867,709
Staff retirement benefit-gratuity paid	(37,000)	(21,000)
Financial charges paid	(127,610,495)	(82,507,965)
Dividend paid	(179,537)	(91,130)
Taxes paid	(14,392,444)	(29,420,167)
<i>Net cash generated from operating activities</i>	131,154,521	120,645,253
Cash flows from investing activities		
Investments	(44,572,269)	15,854,276
Proceed from sale of fixed assets	650,000	-
Dividend received	4,538,086	5,130,873
Purchase of tangible assets	(14,341,302)	(31,463,390)
<i>Net cash (used in) investing activities</i>	(53,725,485)	(10,478,241)



**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees
<i>Cash flows from financing activities</i>		
Subordinated loan	-	15,000,000
Long term financing	(99,779,040)	(100,318,296)
Payment of lease liability	-	(343,239)
Net cash (used in) financing activities	(99,779,040)	(85,661,535)
Net (decrease)/increase in cash and cash equivalents	(22,350,004)	24,505,477
Cash and cash equivalents at beginning of the year	65,787,876	41,282,399
Cash and cash equivalents at the end of the year	43,437,872	65,787,876

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

FIRST EQUITY MODARABA

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

Page 61

	Certificate Capital	Statutory reserve*	Certificate premium account	General reserve	Accumulated (loss)	Total reserves	Unrealised loss on remeasurement of available-for-sale investment	Total
Balance as at June 30, 2010	524,400,000	134,261,822	131,100,000	27,120,000	(523,847,948)	(231,366,126)	(51,554,446)	241,479,428
Total Comprehensive income for the year	-	-	-	-	(56,547,585)	(56,547,585)	14,816,409	(41,731,176)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	27,493,594	27,493,594	-	27,493,594
Transfer to statutory reserve	-	90,125	-	-	(90,125)	-	-	-
Balance as at June 30, 2011	524,400,000	134,351,947	131,100,000	27,120,000	(552,992,064)	(260,420,117)	(36,738,037)	227,241,846
Total Comprehensive income for the year	-	-	-	-	17,883,971	17,883,971	(6,409,558)	11,474,413
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	24,744,235	24,744,235	-	24,744,235
Transfer to statutory reserve	-	3,339,215	-	-	(3,339,215)	-	-	-
Balance as at June 30, 2012	524,400,000	137,691,162	131,100,000	27,120,000	(513,703,073)	(217,791,911)	(43,147,595)	263,460,494

* 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 48 form an integral part of these consolidated financial statements.

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1. *Legal status and nature of business*

The group

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

1.1 **First Equity Modaraba**

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 Textile Limited as a wholly owned subsidiary company.

1.2 **Equity Textiles Limited**

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

The accumulated losses of the Company as at June 30, 2012 aggregated to Rs. 307.689 million (2011: Rs. 344.552 million) which exceeded the paid up capital by Rs. 57.689 million. These conditions indicate the existence of uncertainty regarding the future operations of the Company.

In prior year the Company's borrowings from Bank of Punjab have been restructured. As a result of restructuring, management believes that the financial position of the Company shall improve. Further management believes that the Company was affected this year by the prevailing economic scenario particularly affecting the textile industry. Accordingly, the management is confident that they will succeed in their efforts to continue the Company as a going concern.

1.3 **Consolidation procedure**

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities

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

Transactions eliminated on consolidation

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

Functional and reporting currency of group

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

1.4 **Basis of consolidation**

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

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

2 *Statement of compliance*

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

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

2.3 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.

2.4 *Standards, interpretations and amendments to published approved 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, 2011 which affect these financial statements:



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

**Effective date (annual periods
beginning on or after)**

IFRS 1	First time Adoption of International Financial Reporting Standards	July 1, 2011
IFRS 7	Financial Instruments: Disclosures	July 1, 2011
IAS 24	Related Party Disclosures	January 1, 2011
IFRIC 1	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 1	First time Adoption of International Financial Reporting Standards	January 1, 2011
IFRS 7	Financial Instruments: Disclosures	January 1, 2011
IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 34	Interim Financial Reporting	January 1, 2011
IFRIC 1	Customer Loyalty Programs	January 1, 2011

Amendments not yet effective

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

IFRS 1	First-time Adoption of International Financial Reporting Standards- Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 1, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS9 and amendments to transition disclosures	January 1, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and in corporate existing derecognition requirements	January 1, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 1, 2012
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 1	Presentation of Financial Statements- Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 1, 2013

IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 16	Property, Plant and Equipment- Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 1, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 1, 2013
IAS 32	Financial Instruments: Presentation-Amendments relating to the offsetting of assets and liabilities	January 1, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 1, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 1, 2013

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

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013

The Modaraba expects that the adoption of the above amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application.

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

3. Basis of measurement

- 3.1 These consolidated financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which have been stated at revalued amounts, certain financial assets which are stated at fair value and modified for exchange differences as referred to in note 5.13.
- 3.2 These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

4. Use of estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical



experience, including expectations of future events that are believed to be reasonable under circumstances. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	Note
a) Useful life of depreciable assets/amortizable assets	5.1&5.2
b) Impairment of assets	5.1.2&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/revalued amount less accumulated depreciation and any 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 expenditure pertaining to the acquisition, construction, erection and installation of these assets.

The Parent company charges depreciation on the straight line method and subsidiary company charge depreciation on reducing balance method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 17. Full Depreciation is charged on additions, except major additions or extensions to production, facilities which are depreciated on pro-rata basis for the duration of use during the year. Parent company charges depreciation on additions from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal but subsidiary charge no depreciation on assets deleted during the year. The Modaraba accounts for impairment, where indication exists, by reducing the carrying value to the estimated recoverable amount.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. 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 group assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable 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 group becomes a party to the contractual provisions of the financial instrument.

Initial recognition

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

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

Subsequent measurement

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

5.3.1 *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 Group 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
- Trade debts
- Morabaha/Musharaka receivables-secured
- Advances
- Trade deposits
- Other receivables
- Cash and cash equivalents



Financial assets at fair value through profit or loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are also 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/dispensed-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.

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, long term financing, long term bills payables, liabilities against assets subject to finance lease, short term borrowings, creditors accrued other liabilities.

Derecognition of financial liabilities

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

5.4 *Investment in associate*

Associated companies, where the Modaraba holds 20% or more of the voting power of the investee company and where the company has significant influence, but not control, over the financial and operating policies, are accounted for using the equity method.

Investment in associate is stated in consolidated financial statements using the equity method of accounting. Under the equity method, investments in associate is carried in the balance sheet at cost as adjusted for post acquisition changes in the modaraba's share of net assets of the associate, less any impairment in the value of individual investment. When the modaraba's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables if any, the modaraba does not recognise further losses, unless it has incurred obligations or made payments on behalf of associate.

5.5 *Stores, spares and loose tools*

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

5.6 *Stock-in-trade*

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

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

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

5.7 *Trade debts*

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

5.8 *Other receivables*

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

5.9 *Creditors, accrued and other liabilities*

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

5.10 *Revenue recognition*

- (a) Income from Morabaha/Musharaka transactions is recognized on the basis of pro-rata accrual of the estimated profit earned during the year.
- (b) Dividend income is recognized when the right to receive dividend is established.
- (c) Brokerage commission and fee income is recognized when accrued.
- (d) Profit on PLS deposits is recognized on an accrual basis.



- (e) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.
- (f) Sales are recognized on dispatch of goods to customers, when risk and rewards of ownership are transferred. Waste sales are recognized when delivery is made to customers.

5.11 *Borrowing cost*

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

5.12 *Taxation*

5.12.1 *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.

5.12.2 *Subsidiary company*

Current

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

5.12.3 *Deferred*

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

5.13 *Foreign currency translation*

Parent company

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

Subsidiary company

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

5.14 *Retirement benefits*

Parent company

The Modaraba operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 12 of this financial statement. Actuarial gains / losses are recognized over the average lives of the employees.

Subsidiary company

Defined contribution plan

The company operate a funded employee provident fund scheme for its permanent employee. Equal monthly contribution @ 6% of basic are made by both.

Employee compensated absences

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

5.15 *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amounts reported in the balance sheet if the modaraba has a legally enforceable right to set-off the recognized amount and they intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.16 *Derivative financial instruments*

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

5.17 *Provision*

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



5.18 *Profit distribution to certificates holders*

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

5.19 *Impairment*

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

Subsidiary

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory 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 value exceeds recoverable amount, assets are written down to the recoverable amount and the difference is charged to profit and loss account.

5.20 *Segment reporting*

A segment is a distinguishable component of the Modaraba that is engaged in business activities from which the Modaraba earns revenues and incur expenses and its results are regularly reviewed by the Modaraba's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment. Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organised into the following four operating segments:

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

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

5.21 *Related party transactions*

Modaraba

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

Subsidiary Company

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

5.22 *Capital Risk Management*

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

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

5.23 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and cash with banks net of borrowings not considered as being in the nature of financing activities.

5.24 *Subsidiary accounting judgement and critical estimates / assumptions*

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

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

The are as involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

(a) *Income taxes*

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 4.6 to these financial statements.

(b) *Property, plant and equipment*

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

(c) *Stores and spares*

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



6. Certificate capital

2011 No. of Certificate	2012 No. of Certificate		2012 Rupees	2011 Rupees
		Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,220,000
		Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,220,000
46,220,000	46,220,000			
6,220,000	6,220,000			
<hr/>	<hr/>		<hr/>	<hr/>
52,440,000	52,440,000		524,400,000	524,400,000
6.1	Certificates held by associated companies and undertakings 489,000 (2011: 203,912).			

7 Reserves

	Capital Reserve			Revenue Reserve			2012 Rupees	2011 Rupees
	Statutory* reserve	Certificate Premium Account	Total Reserve	Accumulated (loss)	General reserve	Total reserves		
	Rupees							
Opening balance	134,351,947	131,100,000	265,451,947	(552,992,064)	27,120,000	(525,872,064)	(260,420,117)	(231,366,126)
Transfer from								
profit and (loss) account	-	-	-	17,883,971	-	17,883,971	17,883,971	(56,547,585)
Transfer to statutory reserve	3,339,215	-	3,339,215	(3,339,215)	-	(3,339,215)	-	-
Incremental depreciation on revaluation								
surplus net off deferred tax	-	-	-	24,744,235	-	24,744,235	24,744,235	27,493,594
Closing balance	137,691,162	131,100,000	268,791,162	(513,703,073)	27,120,000	486,583,007	(217,791,911)	(260,420,117)

* 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.



FIRST EQUITY MODARABA

	2012 Rupees	2011 Rupees
<i>8 Surplus on revaluation of fixed assets</i>		
Opening balance	380,680,537	422,978,374
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)	24,744,235	27,493,594
Related deferred tax liability	13,323,819	14,804,243
	38,068,054	42,297,837
	342,612,483	380,680,537
Related deferred tax on :		
Closing balance		
Balance at at July 01	133,238,188	148,042,431
Less: incremental depreciation charged during the year transferred to the profit and loss account.	(13,323,819)	(14,804,243)
	119,914,369	133,238,188
	222,698,114	247,442,349

8.1 This represents net surplus on revaluation of subsidiary company's factory building, colony building, plant and machinery, gas generator, electric installation and factory equipment carried out as on December 31, 2008 by M/s Iqbal A. Nanji and company, Valuators and Surveyor.

	Note	2012 Rupees	2011 Rupees
9. Subordinated Loan			
9.1 This loan has been obtained from a director of the subsidiary company subordinated to the repayments of other financing facilities availed by the subsidiary company. This loan carries mark-up at the rate of one month KIBOR plus 2% payable on quarterly basis.	9.1	40,000,000	40,000,000
10. Long term financing			
Secured - Financial institution			
Habib Bank Limited - Demand Finance	10.1	118,030,174	189,716,954
The Bank of Punjab - Demand Finance	10.2	618,306,453	646,398,713
		736,336,627	836,115,667
Less: Current portion shown under current liabilities		(121,779,045)	(99,779,043)
		614,557,582	736,336,624
10.1 Habib Bank Limited - Demand Finance			
Demand finance 1 a	10.1.1	62,780,172	104,633,620
Demand finance 1 b	10.1.2	29,000,002	48,333,334
Demand finance 111	10.1.3	26,250,000	36,750,000
		118,030,174	189,716,954



FIRST EQUITY MODARABA

- 10.1.1 This finance is secured against first pari passu hypothecation charge on present and future plant and machinery, first pari passu equitable mortgage charge on present and future land and building, equitable mortgage over personal property and personal guarantee so fall the directors of the Company. The finance carries mark up at 6month KIBOR plus 1.50% per annum on quarterly basis. The facility is repayable in 8 equal semi annual installments, commencing from July 2010.
- 10.1.2 This finance is secured against first pari passu hypothecation charge on present and future plant and machinery, first pari passu equitable mortgage charge on present and future land and building, equitable mortgage over personal property and personal guarantees of all the directors of the Company. The finance carries mark up at 6 month KIBOR plus 1.50% per annum on quarterly basis. The facility is repayable in 6 equal semi annual installments, commencing from January 2011.
- 10.1.3 This finance is secured against first pari passu hypothecation charge on present and future plant and machinery, first pari passu equitable mortgage charge on present and future land and building, equitable mortgage over personal property and personal guarantees of all the directors of the Company. The finance carries mark up at 3 month KIBOR plus 1.50% per annum on quarterly basis. The facility is repayable in 16 equal quarterly installments, commencing from February 2011.

	Note	2012 Rupees	2011 Rupees
10.2	<i>The Bank of Punjab</i>		
	Demand finance 1	532,933,998	549,433,998
	Demand finance 11	71,211,000	74,711,000
	LTF – EOP	14,161,455	22,253,715
		618,306,453	646,398,713

- 10.2.1 The financing facilities from The Bank of Punjab had been rescheduled vide restructuring proposal dated April 21, 2010.
- 10.2.2 This amount is payable against demand finance as a sublimit of import letter of credit sight/DA 720 days opened with Bank of Punjab for import of plant and machinery. This facility is secured against existing first pari passu charge of Rs. 643.72 million on all present and future fixed assets of the Company with 25% margin duly registered with SECP. The loan was rescheduled and the Company's old facilities of running finance and PAOA was merged with demand finance. As per the revised terms, the facility is additionally secured with equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Habib Bank Limited. The finance carries mark up at the rate of 3 month KIBOR plus 100 bps with a floor of 11% per annum payable on quarterly basis. The loan is now repayable in 37 quarterly installments commencing from April 15, 2010. Total sanctioned limit of the facility is Rs. 581.933 million
- 10.2.3 The facility is created against conversion of accrued mark up upto September 30, 2009 on all facilities except LTF-EOP loan. The facility is secured against with equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Habib Bank Limited. This loan is repayable in 35 quarterly installments commencing from April 15, 2010. Total sanction limit of the facility is Rs. 85.709 million
- 10.2.4 This is a term finance facility under SBP scheme of LTF-EOP as a sub limit of import L/C sight /DA 720 days opened with Bank of Punjab for import of plant and machinery. This facility is secured against existing first pari passu charge of Rs.643.72 million on all present and future fixed assets of the Company with 25% margin duly registered with SECP. This finance carries SBP rate of refinance plus 200 bps. This loan is repayable in twenty four quarterly installments commencing from May 2008.



FIRST EQUITY MODARABA

	Note	2012 Rupees	2011 Rupees
<i>11. Deferred markup</i>			
Deferred markup		97,537,448	95,564,131
Less: Current portion shown under current liabilities		12,000,000	9,000,000
		<u>85,537,448</u>	<u>86,564,131</u>
<i>12. Deferred liabilities</i>			
Deferred taxation liability	12.1	69,843,113	70,105,855
Provision for staff gratuity	12.2	1,831,735	1,607,811
		<u>71,674,848</u>	<u>71,713,666</u>
12.1 <i>Deferred taxation liability/asset</i>			
The net balance for deferred taxation is in respect of the following temporary difference:			
Deferred tax liabilities			
Accelerated tax depreciation allowance		62,357,017	82,154,896
Revaluation of operating fixed assets		119,914,369	133,238,188
		<u>182,271,386</u>	<u>215,393,084</u>
<i>Deferred tax assets</i>			
losses carried forward		(112,428,273)	(145,287,229)
		<u>69,843,113</u>	<u>70,105,855</u>

	Note	2012 Rupees	2011 Rupees
12.2 <i>Deferred liabilities</i>			
Staff gratuity		1,831,735	1,607,811
12.2.1 <i>General description</i>			
The scheme provides for terminal/retirement benefits for all permanent employees who completed qualifying period of service with the modaraba at last drawn salary.			
Annual provision is based on actuarial valuation, which was carried out as at June 30, 2012 on September 21, 2012 using the Projected Unit Method.			
12.2.2 <i>Amount recognized in the balance sheet are as follow:</i>			
Present value of defined benefit obligation		1,831,735	1,607,811
Unrecognized actuarial losses		-	-
Total employee benefit obligation		1,831,735	1,607,811
12.2.3 <i>Movement in net obligation</i>			
Opening balance		1,607,811	1,397,333
Charge to profit and loss account	12.2.4	260,924	231,478
Benefits paid and adjustments		(37,000)	(21,000)
Closing balance		1,831,735	1,607,811



FIRST EQUITY MODARABA

	Note	2012 Rupees	2011 Rupees
12.2.4 <i>Gratuity expenses consist of:</i>			
Current service cost		277,646	250,930
Interest cost		206,610	187,879
Actuarial (gains) recognized		(223,332)	(162,492)
Recognized transitional (assets)		-	(44,839)
Transitional liability		-	-
	12.4.1	260,924	231,478

12.2.5 *Principal actuarial assumptions*

Following principal actuarial assumptions were used for the valuation.

Salary increase rate	12.50%	12%
Discount rate	11.50%	13%

<i>13. Short term borrowings</i>	Note	2012 Rupees	2011 Rupees
Secured - financial institutions (Running finance arrangements)			
Habib Bank Limited - Pledge	13.1	125,632,799	113,281,150
Habib Bank Limited - Hypothecation	13.2	10,000,000	9,704,960
Habib Bank Limited - FIM	13.3	9,161,037	61,827,757
Bank of Punjab - Pledge	13.4	-	7,800,000
		144,793,836	192,613,867

- 13.1 The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory. This facility is secured against pledge of raw cotton with 10% margin and pledge of cotton / blended yarn with 15% margin. The finance carries mark-up at the rate of 1 month KIBOR+125 basis points to be calculated on monthly basis. The total sanctioned limits Rs. 250 million (2011: Rs. 340 million).
- 13.2 The facility is obtained for working capital requirements. This facility is secured against first pari passu charge of Rs. 57 million on stocks and receivables of the Company. The finance carries mark up at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limits Rs.10 million as a sub limit of the facility noted in note 13.1 (2011 : Rs.10 million).
- 13.3 The facility is obtained for import/purchase of raw cotton bales and to finance working capital inventory. This facility is secured against pledge of raw cotton with 10% margin and pledge of cotton / blended yarn with 15% margin. The finance carries mark up at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limits Rs. 60 million as a sub limit of the facility noted in note 13.1 (2011: Rs. 60 million).
- 13.4 The facility was obtained for working capital requirements. This facility was secured against pledge of stocks of cotton bales, yarn and polyester fibre with margin of 10% on cotton and 15% on yarn and polyesterfibre. The finance carried mark up at the rate of 3 month KIBOR plus 250 basis points with a floor of 11% per annum. The total sanctioned limit was Rs. 7.902 million (2011: Rs. 7.902 million).



FIRST EQUITY MODARABA

	Note	2012 Rupees	2011 Rupees
14. Current portion of long term liabilities			
Secured – Financial institution			
Habib Bank Limited Demand Finance		71,686,785	71,686,783
Bank of Punjab Demand Finance		42,000,000	20,000,000
Bank of Punjab LTF – EOP		8,092,260	8,092,260
		121,779,045	99,779,043
Deferred markup		12,000,000	-
		133,779,045	99,779,043
15. Creditors accrued and other liabilities			
Creditors	15.1	96,514,133	74,830,873
Accrued expenses		23,897,521	45,984,775
Advance from customer		1,202,756	1,526,593
Rention money payables		1,979,754	2,074,292
Withholdolding tax payable		19,599	119,082
Workers Profit Participation Fund		1,682,646	-
Workers Welfare Fund		639,405	-
Other liabilities	15.2	1,237,255	197,926
		127,173,069	124,733,541

15.1 This includes Rs. 59.255 million (2011: Rs.21.515 million) due to associated undertakings.

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

	2012 Rupees	2011 Rupees
16. Accrued markup		
Accrued markup		
Financial institutions	20,140,804	21,995,411
Sponsors	939,297	2,520,883
	21,080,101	24,516,294
17. Taxation - net		
Advance income tax	14,392,436	24,395,995
Less : Provision for taxation	(22,542,695)	(20,825,426)
	(8,150,259)	3,570,569

18. Contingencies and commitments

Contingencies

There is a contingent liability in respect of bank guarantees issued by the subsidiary company's banker in the ordinary course of business in favour of Sui Southren Gas Company Limited aggregating to Rs. 12.708 million (2011: Rs. 12.454 million).

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

Commitments

Commitment in respect of letters of credit as at the balance sheet date amounted to Rs.1.424million (2011: Rs. 0.053 million).

Capital expenditure in respect of construction of colony buildings at the factory amounted to Rs.4.074 million.



FIRST EQUITY MODARABA

19 Tangible

2012

Particulars	Cost			Accumulated depreciation			Book value As at June 30, 2012 Rupees	Rate %	
	As at July 01, 2011 Rupees	Addition/ (transfer) Rupees	Surplus on revaluation Rupees	As at June 30, 2012 Rupees	As at July 01, 2011 Rupees	Charged during the year Rupees			As at June 30, 2012 Rupees
Owned									
Leasehold land	40,140,000	-	-	40,140,000	1,967,259	381,727	2,348,986	37,791,014	1
Factory building	192,404,902	-	-	192,404,902	57,431,967	13,497,294	70,929,261	121,475,641	10
Colony building	42,622,622	-	-	42,622,622	13,522,362	2,910,026	16,432,388	26,190,234	10
Plant & machinery	1,071,118,181	10,945,197	-	1,082,063,378	327,723,280	75,434,010	403,157,290	678,906,088	10
Gas generator	88,751,873	-	-	88,751,873	28,179,056	6,057,282	34,236,338	54,515,535	10
Electric installations	65,925,010	-	-	65,925,010	20,945,512	4,497,950	25,443,462	40,481,548	10
Office premises	21,514,500	-	-	21,514,500	3,249,179	1,076,420	4,325,599	17,188,901	5&10
Office equipments	1,030,455	129,000 (191,450)	-	968,005	882,076	104,903 (191,445)	795,534	172,471	20
Factory equipment	3,250,532	493,000	-	3,743,532	1,032,105	283,468	1,315,573	2,427,959	20
Computers	1,526,661	(468,206)	-	1,058,455	1,210,453	123,798 (468,186)	866,065	192,390	33&20
Motor vehicles	13,699,486	2,774,105 (1,686,000)	-	14,787,591	9,865,210	1,059,294 (1,261,039)	9,663,465	5,124,126	20
Furniture & fixtures	1,201,234	-	-	1,201,234	537,059	66,417	603,476	597,758	20
2012	1,543,185,456	11,995,646	-	1,555,181,102	466,545,518	103,571,919	570,117,437	985,063,665	

19.1 Depreciation for the year has been allocated as follows

	2012 Rupees	2011 Rupees
Modaraba business		
Administrative expense	1,526,274	1,665,202
Textile Business		
Cost of sale	103,161,542	113,314,631
Administrative expense	804,773	962,542
	<u>105,492,589</u>	<u>115,942,375</u>

Particulars	2011							Book value As at June 30, 2011 Rupees	Rate %
	Cost			Accumulated depreciation					
	As at July 01, 2010 Rupees	Addition/ (transfer) Rupees	Surplus on revaluation Rupees	As at June 30, 2011 Rupees	As at July 01, 2010 Rupees	Charged during the year Rupees	As at June 30, 2011 Rupees		
Owned									
Leasehold land	40,140,000			40,140,000	1,581,676	385,583	1,967,259	38,172,741	1
Factory building	192,404,902			192,404,902	42,434,974	14,996,993	57,431,967	134,972,935	10
Colony building	42,622,622			42,622,622	10,289,000	3,233,362	13,522,362	29,100,260	10
Plant & machinery	1,039,849,066	31,269,115		1,071,118,181	245,123,847	82,599,433	327,723,280	743,394,901	10
Gas generator	88,751,873			88,751,873	21,448,743	6,730,313	28,179,056	60,572,817	10
Electric installations	65,925,010			65,925,010	15,947,790	4,997,722	20,945,512	44,979,498	10
Office premises	20,514,500	1,000,000		21,514,500	2,175,280	1,073,899	3,249,179	18,265,321	5&10
Office equipments	923,180	107,275		1,030,455	844,091	37,985	882,076	148,379	20
Factory equipment	3,250,532			3,250,532	785,613	246,492	1,032,105	2,218,427	20
Computers	1,439,661	87,000		1,526,661	1,059,973	150,480	1,210,453	316,208	33&30
Motor vehicles	12,095,986	820,992		12,916,978	7,666,385	1,416,317	9,082,702	3,834,276	20
Furniture & fixtures	1,201,234			1,201,234	463,263	73,796	537,059	664,175	20
Leased									
Motor vehicles	1,603,500	-	-	1,603,500	782,508		782,508	820,992 (820,992)	20
2011	1,510,722,066	33,284,382	-	1,544,006,448	350,603,143	115,942,375	466,545,518	1,077,460,930	

17.2 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:

	2012 Rupees	2011 Rupees
Factory building		
Colony building		
Plant & machinery	59,862,533	66,513,925
Gas generator	16,410,778	18,234,198
Electric installations	417,365,362	452,794,094
Factory equipment	34,380,774	38,200,860
	25,530,098	28,366,775
	1,702,866	1,399,073
	555,252,411	605,508,925



	Note	2012 Rupees	2011 Rupees
<i>20 Intangible</i>			
Cost		42,704,497	42,704,497
		42,704,497	42,704,497

20.1 These represents membership cards of Karachi and Islamabad Stock Exchanges as at June 30, 2012. Subsequently, following the corporatization process, Karachi and Islamabad Stock Exchanges has been converted from company limited Guarantee to unlisted Public limited Company. As a result, First Equity Modaraba has received 4,007,383 shares of Karachi Stock Exchange Limited and 3,034,603 shares of Islamabad Stock Exchange Limited as on August 15, 2012 and August 16, 2012 respectively, face value of Rs 10/- each. Furthermore, as per the demutualization process, in addition to the aforesaid mention shares, one Trading Right of each Exchange was also received by the Modaraba.

		2012 Rupees	2011 Rupees
<i>21 Long term investments</i>			
Investment in associated company	21.1	28,790,718	29,704,055
		28,790,718	29,704,055
Investment classified as available-for-sale financial assets			
Listed securities	21.2.1	28,298,775	28,589,785
Unlisted securities	21.2.2	1,800,000	1,800,000
		30,098,775	30,389,785
		58,889,493	60,093,840

21.1 *Investments in associated company*

The holdings are in ordinary shares of Rs. 5 each.

2011 Number	2012 Number		2012 Rupees	2011 Rupees
981,134	981,134	Premier Insurance Limited	29,704,055	28,830,532
		Share of profit	67,797	2,099,941
		Less: Dividend income	(981,134)	(1,226,418)
			28,790,718	29,704,055

21.2 *Investment classified as available-for-sale financial assets*

21.2.1 *Listed securities*

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

2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Open-end mutual funds</i>				
11,197	11,968	Dawood Money Market Fund (Unit of Rs. 100 each)	918,743	910,741
<i>Oil and Gas</i>				
3,610	1,259	Attock Petroleum Limited	597,232	1,351,115
17,000	12,000	Oil & Gas Development Company Limited	1,925,280	2,600,830
13,870	12,870	Pakistan Oilfields Limited	4,722,518	4,979,469

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2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Chemicals</i>				
166,000	166,000	Fauji Fertilizer Bin Qasim Limited	6,776,120	6,996,900
4,375	6,562	Fauji Fertilizer Company Limited	728,710	657,781
10,000	10,000	ICI Pakistan Limited	1,310,700	1,518,500
9,400	9,400	Sitara Peroxide Limited	93,060	157,450
<i>Construction and materials</i>				
94,535	94,535	Fauji Cement Company Limited	532,232	389,484
11,603	11,603	Lucky Cement Limited	1,338,870	821,956
7,000	7,000	Maple Leaf Cement Factory Limited	32,410	14,420
<i>Industrial metals and mining</i>				
37,500	37,500	Siddiqsons Tin Plates Limited	271,875	336,375
<i>Automobile and parts</i>				
1,043	1,043	Indus Motor Company Limited	255,618	229,460
<i>Fixed line telecommunication</i>				
50,000	50,000	Pakistan Telecommunication Company Limited	684,500	711,000
10,000	-	TRG Pakisan Ltd	-	25,600
<i>Gas water and multiutilities</i>				
36,498	38,323	Sui Northern Gas Pipelines Limited	647,275	727,040
<i>Banks</i>				
9,362	10,766	Askari Bank Limited	146,095	101,859
22,500	20,000	The Bank of Punjab	153,600	131,400
7,986	8,784	Habib Bank Limited	991,187	926,855
<i>Non life insurance</i>				
4,188	4,188	Adamjee Insurance Company Limited	243,951	272,178
<i>Financial services</i>				
13,125	14,437	Arif Habib Securities Limited	446,536	345,188
22,000	22,000	Javed Omer Vohra & Company Limited	41,800	55,440
14,703	14,703	Jahangir Siddiqui & Company Limited	182,464	95,275
18,000	18,000	JS Investment Limited	131,580	91,800
5,875	5,875	Pervez Ahmed Securities Limited	9,870	8,460
<i>Equity investment instruments</i>				
760,000	760,000	First Dawood Mutual Fund	2,910,800	1,740,400
135,550	135,550	PICIC Growth Fund	1,660,259	1,813,659
99,000	99,000	PICIC Investment Fund	545,490	579,150
			28,298,775	28,589,785



21.2.2 Unlisted securities

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

2011 Number	2012 Number		Note	2012 Rupees	2011 Rupees
50,000	50,000	Sapphire Power Generation Ltd	21.2.2.1	1,800,000	1,800,000
78,150	78,150	Callmate Telips Telecom Ltd	21.2.2.2	-	-
				1,800,000	1,800,000

21.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs.65.96 (2010: Rs. 63.65) as per financial statements as at June 30, 2011 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

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

	Note	2012 Rupees	2011 Rupees
<i>22 Store and spares</i>			
Stores		18,399,747	14,875,296
		18,399,747	14,875,296

23 Stock-in-trade

Raw material			
- in hand		167,915,793	95,246,315
Work in Process		8,776,680	11,849,992
Finished goods		46,929,364	143,945,123
		223,621,837	251,041,430

24 Trade debts

(Secured - considered good)		-	12,261,582
(Unsecured - considered good)		108,144,771	96,543,145
		108,144,771	108,804,727
Unsecured - considered doubtful		4,115,648	3,980,365
Less: Provision for bad debts against local debtors		(4,115,648)	(3,980,365)
		108,144,771	108,804,727

25 Morabaha/Musharaka receivables-secured

Musharaka - considered good	25.1	137,621,599	132,542,054
Morabaha - considered doubtful		17,380,055	17,380,055
		155,001,654	149,922,109
Provision for non performing assets		(17,380,055)	(17,380,055)
		137,621,599	132,542,054

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25.1 The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on musharaka transactions during the year range between 12% to 20 % (2011: 12 % to 20%).

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

	Note	2012 Rupees	2011 Rupees
<i>26. Short term investments</i>			
Investment classified as financial asset at fair value through profit or loss			
Listed securities	26.1	26,918,313	12,194,441

26.1 Listed securities

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

	2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Oil and Gas</i>					
-		511,355	Byco Petroleum Pakistan Limited	4,310,494	-
-		3,000	Pakistan State Oil Company Ltd	707,520	-
<i>Chemicals</i>					
-		330,692	DS Industries Ltd	499,345	-
-		13,000	Engro Corporation Ltd	1,323,920	-
-		100,000	Engro Polymer & Chemicals Ltd	985,000	-
-		10,000	Fatima Fertilizer Ltd	246,700	-
-		600	Fauji Fertilizer Company Limited	66,630	-
-		75,000	Lotte Pakistan PTA Limited	527,250	-
<i>Construction and materials</i>					
10,000		8,000	Attock Cement Pakistan Limited	651,520	485,300
-		425,000	Dewan Cement Ltd	1,457,750	-
-		4,000	D.G. Khan Cement Company Limited	157,520	-
-		50,000	Fauji Cement Company Limited	281,500	-
-		200,000	Fly Cement Ltd	540,000	-
-		42,500	Lafarge Pakistan Company Limited	183,600	-
2,830		12,427	Lucky Cement Limited	1,433,952	200,477
-		6,500	Maple Leaf Cement Factory Limited	30,095	-
<i>Support services</i>					
40,000		-	TRG Pakistan Limited	-	102,400



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2011 Number	2012 Number		2012 Rupees	2011 Rupees
<i>Personal goods</i>				
-	99,358	Azgard Nine Limited	635,891	-
-	16,570	Gellate Pakistan Ltd	1,035,128	-
-	1,000	Nishat Mills Limited	47,580	-
-	2,000	Sohail Jute Ltd	18,000	-
1,450	1,450	Treet Corporation	74,806	75,429
<i>Pharma and biotech</i>				
-	6,751	IBL Healthcare Limited	142,784	-
3,300	3,300	Searl Pakistan Limited	157,047	163,050
<i>Automobile and parts</i>				
1,789	1,789	Millat Tractors	863,819	1,076,459
<i>Fixed line telecommunication</i>				
-	10,000	TeleCard Ltd	14,900	-
-	111,500	Worldcall Telecom Limited	228,575	-
<i>Electricity</i>				
-	25,000	Karachi Electricity Supply Company Limited	81,000	-
25,000	25,000	Kot Addu Power Company Ltd	1,125,000	1,065,250
2,443	2,000	Kohinoor Energy Limited	43,000	40,310
100,000	100,000	Nishat Power Ltd	1,470,000	1,544,000
-	15,000	Pakgen Power Ltd	191,850	-
<i>Gas water and multiutilities</i>				
25,324	-	Sui Northern Gas Pipelines Limited	-	504,454
<i>Banks</i>				
-	32,500	Askari Bank Limited	441,025	-
-	375,000	JS Bank Ltd	1,912,500	-
-	44,000	National Bank of Pakistan	1,915,987	-
-	225,000	NIB Bank Limited	447,750	-
95,000	-	United Bank Limited	-	5,881,450
<i>Financial services</i>				
-	7,500	Jahangir Siddiqui & Company Limited	93,075	-
-	200,855	JS Investment Limited	1,468,250	-
<i>Non life insurance</i>				
13,800	13,800	Adamjee Insurance Company Limited	803,850	896,862
10,000	10,000	Pakistan Reinsurance company Limited	171,100	159,000
<i>Real estate investment and services</i>				
-	65,000	PACE (Pakistan) Limited	132,600	-
			26,918,313	12,194,441

FIRST EQUITY MODARABA

	Note	2012 Rupees	2011 Rupees
<i>27. Advances - considered good</i>			
To employees	27.1	1,495,418	2,105,673
To supplier of goods		38,801,747	34,471,870
Against letter of credit		1,493,250	432,265
Others		1,011	21,011
		41,791,426	37,030,819

27.1 These include advances to employees at June 30, 2012 amounting to Rs.1,135,237 (2011: Rs. 1,526,556). The maximum aggregate amount due from employees at the end of any month during the year was Rs.1,648,443 (2011: Rs. 1,891,418).

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

	2012 Rupees	2011 Rupees
<i>28. Trade deposits and prepayments</i>		
Deposits	14,668,606	14,724,648
Margin deposit	14,458	1,245,400
Prepayments	178,613	370,044
	14,861,677	16,340,092

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

	Note	2012 Rupees	2011 Rupees
<i>29. Other receivables</i>			
Sale proceeds of investments		237,205	878,879
Receivable from clients	29.1 & 29.2	25,286,870	30,689,155
Dividend		-	113,000
Coton claims		218,817	13,519,954
Others	29.2	2,332,728	2,318,690
		28,075,620	47,519,678

29.1 *Receivable from clients*

Considered good		25,286,870	30,689,155
Considered doubtful	29.1.1	12,500,000	12,500,000
		37,786,870	43,189,155
Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
		25,286,870	30,689,155



	2012 Rupees	2011 Rupees
29.1.1 Movement in provision for doubtful debts		
Opening provision	12,500,000	12,500,000
Charge for the year	-	-
	12,500,000	12,500,000

29.2 Receivables from client includes receivable from related parties of Rs. 74,670 (2011: Rs.557,215).

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

	Note	2012 Rupees	2011 Rupees
30 Tax refund from government authorities			
Sales tax refundable		7,147,657	3,316,312
Income tax refundable		18,649,485	17,972,715
		25,797,142	21,289,027

31 Cash and bank balance

Cash in Hand		292,443	447,193
Bank balances			
-in current accounts		26,888,151	10,256,581
-in saving accounts	31.1	16,257,278	55,084,102
		43,437,872	65,787,876

31.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 7% (2011: 5% to 7%) per annum.

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

	Note	2012 Rupees	2011 Rupees
32 Income			
Income from modaraba's business	32.1	29,668,392	17,888,385
Income from textile's business	32.2	178,251,332	95,646,777
		207,919,724	113,535,162

32.1 Income from modaraba's business

Profit on musharaka		19,012,211	19,109,436
Brokerage commission		705,908	1,669,783
Capital gain		5,412,187	(6,858,863)
Dividends		4,538,086	3,968,029
		29,668,392	17,888,385

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	Note	2012 Rupees	2011 Rupees
32.2 Income from textile's business			
Sales			
- Local		1,800,449,937	1,886,267,718
- Exports		37,675,153	48,074,917
- Waste sales		27,529,429	69,064,566
		1,865,654,519	2,003,407,201
Commission to selling agent		(33,561,571)	(35,536,688)
		1,832,092,948	1,967,870,513
Cost of sale	32.3	(1,653,841,616)	(1,872,223,736)
		178,251,332	95,646,777
32.3 Cost of sale			
Raw material consumed	31.3.1	1,235,312,562	1,676,672,957
Store consumed		23,783,892	22,778,382
Packing material consumed		18,766,559	17,135,909
Salaries, wages and other benefits		59,438,219	58,208,245
Provident fund contribution		946,722	912,722
Fuel and power		98,263,557	92,179,704
Insurance		9,134,631	9,132,232
Repair & maintenance		3,252,427	3,519,670
Depreciation	17.1	103,161,542	113,314,631
Other manufacturing overheads		1,692,435	881,557
		1,553,752,546	1,994,736,009
Work in Process			
-opening stock		11,849,992	8,759,189
-closing Stock		(8,776,680)	(11,849,992)
Cost of goods manufactured		1,556,825,858	1,991,645,206
Finished goods			
-opening stock		143,945,122	24,523,652
-closing Stock		(46,929,364)	(143,945,123)
		1,653,841,616	1,872,223,736
32.3.1 Raw material consumed			
Opening stock		95,246,315	18,964,776
Purchased during the year		1,307,982,040	1,752,954,496
		1,403,228,355	1,771,919,272
Closing stock		(167,915,793)	(95,246,315)
		1,235,312,562	1,676,672,957



	Note	2012 Rupees	2011 Rupees
<i>33 Operating expenses</i>			
Salaries, allowances and benefits	33.1	9,962,156	9,503,372
Provident fund contribution		200,254	179,128
Management and consultancy	33.3	151,520	14,759,029
Traveling, conveyance and entertainment		982,445	879,945
Telephone and postage		775,581	654,556
Rent, rates and taxes		-	1,906,382
Electricity		481,492	543,643
Insurance		529,187	422,086
Printing, stationery and advertising		1,080,421	238,990
Fees and subscriptions		1,213,447	1,345,955
Vehicle running and maintenance		2,345,395	1,959,757
Depreciation		2,331,047	2,627,744
Facilities and services	17.1	4,355,866	3,555,784
Repair and maintenance		1,007,886	1,199,608
Annual Review Meeting		48,200	34,410
Auditors' remuneration		405,658	396,448
Legal and professional	33.4	864,849	1,388,674
Provision for doubtful debts		-	-
Shariah Advisor	28.1.1	35,000	-
Training and development		27,500	15,000
Zakat deducted at source		750	-
KSE & SECP Charges		169,530	163,132
Withholding & CVT tax		9,507	5,936
Cartage expense		130,796	206,744
Others		378,282	397,104
		27,486,769	42,383,427

33.1 *Remuneration of officers and other employees*

The aggregate amount charged in the consolidated financial statements for remuneration, including benefits to 25 (2011 : 26) employees of the Modaraba is:

	2012		2011	
	Officers	Other employees	Officers	Other employees
	Rupees		Rupees	
Salaries and allowances	4,021,816	4,405,562	3,866,763	1,314,000
Gratuity and leave fare	397,058	209,682	428,131	210,233
Expenses reimbursed:				
- Medical	222,409	131,045	335,151	117,432
	4,641,283	4,746,289	4,630,045	1,641,665

33.2 Salaries, allowances and benefits include provision for gratuity of Rs. 508,917 (2011: Rs. 212,750). Officers are also provided with free use of Modaraba maintained cars.

33.3 This represents management fee to Premier Financial Services (Private) Limited against financial advisory, marketing and management related services.

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	2012 Rupees	2011 Rupees
<i>33.4 Auditor's remuneration</i>		
Audit fee	259,800	255,000
Half yearly review	25,000	25,000
Other fees	120,858	116,448
	405,658	396,448
<i>34 Distribution and Selling Expenses</i>		
Freight loading and unloading	10,346,795	7,764,172
Clearing & forwarding - exports	1,644,642	2,124,368
Export development charges	110,907	103,173
Pressing comber noil	232,771	41,256
	12,335,115	10,032,969
<i>35 Financial Charges</i>		
Mark up / interest on :		
Long term loan - secured	93,779,908	105,072,175
Asset subject to finance lease	-	5,483
Short term loan & running finance		
- secured	24,398,221	27,090,973
Musharaka	850,000	-
Loan from directors	2,158,414	5,337,972
Bank charges	2,987,759	3,096,648
	124,174,302	140,603,251
<i>36 Other income</i>		
Profit on PLS deposits	723,755	534,828
Gain on sale of fixed assets	226,415	-
Dividend Income	-	-
Interest income	151,953	6,654
Exchange gain	31,266	-
Liabilities written back	-	1,242,703
	1,133,389	1,784,185
<i>37 Other charges</i>		
Exchange loss - net	-	31,701
Provision for doubtful debts	135,283	-
Worker Welfare Fund	639,405	-
Workers Profit Participation Fund	1,682,646	-
Others	2,355,894	-
	4,813,228	31,701
<i>38 Taxation</i>		

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



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

	2012 Rupees	2011 Rupees
<i>39. (Loss) / Earnings per certificates - basic and diluted</i>		
Profit/(Loss) for the year	17,974,971	(56,547,585)
<hr/>		
	Number	Number
Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
<hr/>		
	Rupees	Rupees
Profit/(Loss) per certificate - basic and diluted	0.34	(1.08)

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

40. Risk management policies and objectives

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Credit and concentration risk

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

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

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Business	2012		2011	
	Rupees	%	Rupees	%
Open-end mutual funds	918,743	0.22	910,741	0.22
Oil and Gas	12,263,044	2.92	8,931,414	2.21
Chemicals	12,557,435	2.99	9,330,631	2.30
Industrial metals and mining	271,875	0.06	336,375	0.08
Construction and materials	6,639,449	1.58	1,911,637	0.47
Support services	-	0.00	128,000	0.03
Automobile and parts	1,119,437	0.27	1,305,919	0.32
Personal goods	3,611,405	0.86	75,429	0.02
Pharma and biotech	299,831	0.07	163,050	0.04
Fixed line telecommunication	927,975	0.22	711,000	0.18
Electricity	2,910,850	0.69	4,449,560	1.10
Gas water and multiutilities	647,275	0.15	1,231,494	0.30
Banks	6,008,144	1.43	7,041,564	1.74
Non life insurance	30,009,619	7.15	31,032,095	7.66
Real estate investment and services	132,600	0.03	-	0.00
Financial services	2,373,575	0.57	596,163	0.15
Equity investment instruments	5,116,549	1.22	4,133,209	1.02
Software and computer services	-	-	-	-
Engineering	11,281,316	2.69	8,154,558	2.01
Others	322,873,777	76.88	324,422,858	80.13
	419,962,899	100	404,865,697	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:

	2012	2011
	Rupees	Rupees
Investment	85,807,806	72,288,281
Trade debts	108,144,771	108,804,727
Morabaha/Musharaka receivables-secured	137,621,599	132,542,054
Advances-considered good	44,301,426	39,540,819
Trade deposits and prepayments	16,011,677	17,690,092
Other receivables	28,075,620	33,999,724
	419,962,899	404,865,697

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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	2012			Total
	Less than one year	Over one year but less than five years	Over five years	
----- Rupees -----				
Assets				
Long term investments	-	30,098,775	-	30,098,775
Trade debts	108,144,771	-	-	108,144,771
Morabaha & musharaka receivables	137,621,599	-	-	137,621,599
Short term investments	26,918,313	-	-	26,918,313
Advances	41,791,426	-	2,510,000	44,301,426
Trade deposits	14,683,064	1,150,000	-	15,833,064
Other receivables	28,075,620	-	-	28,075,620
Bank balances	43,437,872	-	-	43,437,872
	400,672,665	31,248,775	2,510,000	434,431,440
Liabilities				
Subordinated loan	-	40,000,000	-	40,000,000
Long term financing	-	614,557,582	-	614,557,582
Deferred markup	-	-	85,537,448	85,537,448
Current portion of long term liabilities	133,779,045	-	-	133,779,045
Short term borrowing	144,793,836	-	-	144,793,836
Creditors, accrued and other liabilities	127,082,069	-	-	127,082,069
Accured markup	21,080,101	-	-	21,080,101
Taxation - net	-	-	-	-
Unclaimed profit distribution	8,150,259	-	-	8,150,259
	26,082,863	-	-	26,082,863
	460,968,173	654,557,582	85,537,448	1,201,063,203
Net balance	(60,295,508)	(623,308,807)	(83,027,448)	(766,631,763)
----- Rupees -----				
2011				
	Less than one year	Over one year but less than five years	Over five years	Total
----- Rupees -----				
Assets				
Long term investments	-	30,389,785	-	30,389,785
Trade debts	108,804,727	-	-	108,804,727
Morabaha & musharaka receivables	119,022,100	-	-	119,022,100
Short term investments	12,194,441	-	-	12,194,441
Advances	37,030,819	-	2,510,000	39,540,819
Trade deposits	15,970,048	1,350,000	-	17,320,048
Other receivables	47,519,678	-	-	47,519,678
Bank balances	65,787,876	-	-	65,787,876
	406,329,689	31,739,785	2,510,000	440,579,474
Liabilities				
Subordinated loan	-	40,000,000	-	40,000,000
Long term financing	-	736,336,624	-	736,336,624
Deferred markup	-	-	86,564,131	86,564,131
Short term loan	192,613,867	-	-	192,613,867
Current portion of long term liabilities	99,779,043	-	-	99,779,043
Creditors, accrued and other liabilities	124,733,541	-	-	124,733,541
Accured markup	24,516,294	-	-	24,516,294
Unclaimed profit distribution	26,262,400	-	-	26,262,400
	467,905,145	776,336,624	86,564,131	1,330,805,900
Net balance	(61,575,456)	(744,596,839)	(84,054,131)	(890,226,426)

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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.

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.

41. 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.

	2012 Rupees	2011 Rupees
41.1 <i>Financial instruments by category</i>		
Financial assets		
<i>loans and receivables</i>		
Morabaha/Musharaka receivables	137,621,599	119,022,100
Trade debts	108,144,771	108,804,727
Advances	44,301,426	39,540,819
Trade deposits	15,833,064	17,320,048
Other receivables	28,075,620	47,519,678
Bank balances	43,437,872	65,787,876
 <i>Financial assets at fair value through profit or loss</i>		
Short term investments	26,918,313	12,194,441
<i>Available-for-sale financial assets</i>		
Long term investments	30,098,775	30,389,785
	434,431,440	440,579,474
 Financial liabilities		
Financial liabilities at amortised cost		
Subordinated loan	40,000,000	40,000,000
Long term financing	614,557,582	736,336,624
Short term loans	144,793,836	192,613,867
Deferred Mark up	85,537,448	86,564,131
Current portion of long term liabilities	133,779,045	99,779,043
Creditors, accrued and other liabilities	127,082,069	124,733,541
Accrued mark up	21,080,101	24,516,294
Taxation - net	8,150,259	-
Unclaimed profit distribution	26,082,863	26,262,400
	1,201,063,203	1,330,805,900
On balance sheet gap	(766,631,763)	(890,226,426)



42 *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.

	2012				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
	Rupees				
Assets					
Tangible assets	-	-	971,874,385	13,189,280	985,063,665
Intangible assets	-	-	-	42,704,497	42,704,497
Deferred cost	-	-	-	-	-
Long term investments	-	-	58,889,493	-	58,889,493
Store and spares	-	18,399,747	-	-	18,399,747
Stock-in-trade	-	223,621,837	-	-	223,621,837
Trade debts	-	108,144,771	-	-	108,144,771
Morabaha & musharaka receivables	42,121,599	95,500,000	-	-	137,621,599
Short term investments	-	26,918,313	-	-	26,918,313
Advances	35,644	41,755,782	2,510,000	-	44,301,426
Trade deposits and prepayments	10,584	14,851,093	1,150,000	-	16,011,677
Other receivables	38,781,851	(10,706,231)	-	-	28,075,620
Tax refunds due from government authorities	-	25,797,142	-	-	25,797,142
Bank balances	43,437,872	-	-	-	43,437,872
	124,387,550	544,282,454	1,034,423,878	55,893,777	1,758,987,659
Liabilities					
Subordinated loan	-	-	40,000,000	-	40,000,000
Long term financing	-	-	614,557,582	-	614,557,582
Deferred Mark up	-	-	-	85,537,448	85,537,448
Deferred liabilities	-	-	71,674,848	-	71,674,848
Short term loan	-	144,793,836	-	-	144,793,836
Current portion of long term liabilities	-	133,779,045	-	-	133,779,045
Creditors, accrued and other liabilities	27,634,401	99,447,668	-	-	127,082,069
Accrued mark up	-	21,080,101	-	-	21,080,101
Taxation - net	-	8,150,259	-	-	8,150,259
Unclaimed profit distribution	26,082,863	-	-	-	26,082,863
	53,717,264	407,250,909	726,232,430	85,537,448	1,272,738,051
Net balance	70,670,286	137,031,545	308,191,448	(29,643,671)	486,249,608

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	2011				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five years	
----- Rupees -----					
Assets					
Tangible assets	-	-	1,063,450,658	13,189,280	1,076,639,938
Intangible assets	-	-	-	42,704,497	42,704,497
Deferred cost	-	-	-	-	-
Long term investments	-	-	60,093,840	-	60,093,840
Store and spares	-	14,875,296	-	-	14,875,296
Stock-in-trade	-	251,041,430	-	-	251,041,430
Trade debts	-	108,804,727	-	-	108,804,727
Morabaha & musharaka receivables	23,522,100	95,500,000	-	-	119,022,100
Short term investments	-	12,194,441	-	-	12,194,441
Advances	35,644	36,995,175	2,510,000	-	39,540,819
Trade deposits and prepayments	1,488,999	14,851,093	1,350,000	-	17,690,092
Other receivables	38,781,851	8,737,827	-	-	47,519,678
Tax refunds due from government authorities	-	21,289,027	-	-	21,289,027
Bank balances	65,787,876	-	-	-	65,787,876
	129,616,470	564,289,016	1,127,404,498	55,893,777	1,877,203,761
Liabilities					
Subordinated loan	-	-	40,000,000	-	40,000,000
Long term financing	-	-	736,336,624	-	736,336,624
Liability against asset subject to finance lease	-	192,613,867	-	-	-
Deferred liabilities	-	-	71,713,666	-	71,713,666
Short term loan	-	192,613,867	-	-	192,613,867
Current portion of long term liabilities	-	99,779,043	-	-	99,779,043
Creditors, accrued and other liabilities	27,634,401	208,179,565	-	-	235,813,966
Unclaimed profit distribution	-	26,262,400	-	-	26,262,400
	27,634,401	719,448,742	848,050,290	-	1,402,519,566
Net balance	101,982,069	(155,159,726)	279,354,208	55,893,777	474,684,195



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43. Yield/Profit rate risk exposure

DESCRIPTION	Effective yield / profit risk % age	2012						2012 Total
		Yield / profit bearing maturing		Non yield / profit bearing maturing		Sub-total	Sub-total	
		With 1 year	After 1 year	With 1 year	After 1 year			
Rupees								
Financial assets								
Long term investments		-	30,098,775	30,098,775	-	-	30,098,775	
Trade debts		-	-	-	108,144,771	-	108,144,771	
Morabaha/Musharika receivables	12% to 20%	137,621,599	-	137,621,599	-	-	137,621,599	
Short term investments		26,918,313	-	26,918,313	-	-	26,918,313	
Advances		-	-	-	41,791,426	-	41,791,426	
Trade deposits		-	-	-	14,683,064	2,510,000	15,833,064	
Other receivables		-	-	-	28,075,620	1,150,000	29,225,620	
Bank balances	5% to 7%	16,257,278	-	16,257,278	27,180,594	-	43,437,872	
		180,797,190	30,098,775	210,895,965	219,875,475	3,660,000	434,431,440	
Financial Liabilities								
Subordinated loan		-	-	-	-	40,000,000	40,000,000	
Long term financing		-	614,557,582	614,557,582	-	-	614,557,582	
Short term loan		144,793,836	-	144,793,836	-	-	144,793,836	
Current portion of long term liabilities		133,779,045	-	133,779,045	-	-	133,779,045	
Creditors, accrued and other liabilities		-	-	-	156,312,429	85,537,448	241,849,877	
Unclaimed profit distribution		-	-	-	26,082,863	-	26,082,863	
		278,572,881	614,557,582	893,130,463	182,395,292	125,537,448	1,201,063,203	
On balance sheet gap		(97,775,691)	(584,458,807)	(682,234,498)	37,480,183	(121,877,448)	(766,631,763)	

- 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	2011						2011 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		With 1 year	After 1 year	Sub-total	With 1 year	After 1 year	Sub-total	
Rupees								
Financial assets								
Long term investments		-	30,389,785	30,389,785	-	-	30,389,785	
Trade debts		-	-	-	108,804,727	-	108,804,727	
Morabaha/Musharika receivables	12% to 20%	119,022,100	-	119,022,100	-	-	119,022,100	
Short term investments		12,194,441	-	12,194,441	-	-	12,194,441	
Advances		-	-	-	37,030,819	2,510,000	39,540,819	
Trade deposits		-	-	-	15,970,048	1,350,000	17,320,048	
Other receivables		-	-	-	47,519,678	-	47,519,678	
Bank balances	5% to 7%	55,084,102	-	55,084,102	10,703,774	-	65,787,876	
		186,300,643	30,389,785	216,690,428	220,029,046	3,860,000	440,579,474	
Financial Liabilities								
Subordinated loan		-	-	-	-	40,000,000	40,000,000	
Long term financing		-	736,336,624	736,336,624	-	-	736,336,624	
Liability against asset subject to finance lease		-	-	-	-	-	-	
Short term loan		192,613,867	-	192,613,867	-	-	192,613,867	
Current portion of long term liabilities		99,779,043	-	99,779,043	-	-	99,779,043	
Creditors, accrued and other liabilities		-	-	-	235,813,966	-	235,813,966	
Unclaimed profit distribution		-	-	-	26,262,400	-	26,262,400	
		292,392,910	736,336,624	1,028,729,534	262,076,366	40,000,000	302,076,366	
On balance sheet gap		(106,092,267)	(705,946,839)	(812,039,106)	(42,047,320)	(36,140,000)	(78,187,320)	
							(890,226,426)	



44 Segment information

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

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

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

	2012					2011	
	Musharaka facility	Brokerage operation	Capital market	Textile business	Others	TOTAL	TOTAL
Segment revenues	19,012,211	705,908	9,950,273	1,832,092,948	1,133,389	1,862,894,729	1,987,543,083
Segment result	19,012,211	(4,096,438)	9,950,273	178,251,332	1,133,389	204,250,767	107,774,734
Unallocated cost							
Operating expenses						(22,684,423)	(36,454,013)
Distribution and selling expenses						(12,335,115)	(10,032,969)
Financial charges						(124,174,302)	(140,603,251)
Other charges						(4,813,228)	(31,701)
Management fee						(989,397)	-
Share of profit (loss) in associated company						67,797	2,099,941
Loss before taxation						39,322,099	(77,247,259)
Taxation						(21,438,128)	20,699,674
Profit (loss) for the year						17,883,971	(56,547,585)
Other information							
Segment assets	137,621,599	78,469,255	86,045,011	1,399,224,428	-	1,701,360,293	1,763,054,046
Unallocated assets						57,536,366	114,149,715
Total assets						1,758,896,659	1,877,203,761
Segment liabilities	-	4,836,482	-	1,206,899,890	-	1,211,736,372	1,371,488,989
Unallocated liabilities						61,001,679	31,030,577
Total liabilities						1,272,738,051	1,402,519,566
						486,158,608	474,684,195

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45. Transactions with related parties

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

	2012 Rupees	2011 Rupees
45.1 Balance outstanding at year end		
Modaraba Management Company		
- Current account payable	247,858	558,494
- Management fee	989,397	-
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	1,831,735	1,607,811
Subordinated loan from sponsor	40,000,000	40,000,000
45.2 Transactions during the year		
Other related parties (other than key management personnel)		
- Contribution to staff gratuity fund	260,924	231,478
Transactions during the year	Relationship	
Dividend income	Associated company	400 802
Services acquired	Associated company	179,958 200,162
Brokerage commission earned	Associated company	13,269 12,734
Purchases of goods and services	Associated company	86,255,862 64,509,554
Sales of goods and services		3,052,125 10,780,000
Purchase of asset		- 17,313,354
Management fee	Associated company	- 14,759,029
Contribution towards employees' Retirement benefit plans		1,146,976 1,091,850
Subordinated loan from Sponsor	Director	- 15,000,000

46. Number of employees

Total number of employees of the Modaraba as at June 30, 2012 are 25 (2011: 12).

47. Authorization for issue

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 03, 2012.



48 General

- 48.1 Figures in these financial statements have been rounded off to the nearest of rupee.
- 48.2 The corresponding figures, wherever necessary, have been re-arranged for purpose of comparison.

FIRST EQUITY MODARABA

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited