

Annual Report
2018

First Tri-Star Modaraba



Managed by:
A.R.T. Modaraba Management (Private) Limited



Vision Statement

First Tri-Star Modaraba is committed to strive for excellence in all areas of its activity.

Mission Statement

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

Core Value

1. Striving for continuous improvement and innovation with commitment and responsibility;
2. Treating stakeholders with respect, courtesy and competence;
3. Practicing highest personal and professional integrity;
4. Maintaining teamwork, trust and support, with open and candid communication;
5. Ensuring cost consciousness in all decisions and operations.

Statement of Ethics and Business Practices

The articulation of this statement is based on following points:

1. Questionable and improper payments or use of the Company's assets.
2. Political contributions.
3. Conflict of interest.
4. Books and records of the Company.
5. Payment of amounts due to customers, agents or distributors.
6. Reporting violations.
7. Means as important as the end.
8. Integrity and scrupulous dealings.
9. Strict observance of the laws of the country.
10. Giving and receiving gifts.



Board of Directors

Directors of Modaraba Company:

Mr. Ahmed Khizer Khan	Non Executive Chairman/Independent Director
Mr. Asad Ahmad	Chief Executive
Mr. Marium Ahmad	Non Executive Director

Auditors: M/s. Muniff Ziauddin & Co.
Chartered Accountants

Audit Committee:	Mr. Ahmed Khizer Khan	Chairman
	Ms. Marium Ahmad	Member
	Mr. Asad Ahmad	Member

Shariah Advisor: Alhamd Shariah Advisory Services (Pvt) Ltd.

Bankers: Al Baraka Bank (Pakistan) Ltd.
Bank Al-Habib Ltd.
Habib Bank Ltd.
National Bank of Pakistan

Registered Office: A/33, Central Commercial Area,
Block 7/8, KCHSU,
Karachi.

Management Company: A.R.T. Modaraba Management (Pvt) Ltd.



Notice of Annual Review Meeting

Nineteenth Annual Review Meeting of the Certificate Holders of First Tri-Star Modaraba will be held on Friday, October 26, 2018 at 10.30 am at F/538, S.I.T.E., Karachi.

The Certificate Transfer Books shall remain closed from October 22, 2018 to October 26, 2018 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 20, 2018 will be considered in time for the purpose of attendance of the Annual Review Meeting.

By Order of the Board

Chief Executive

Dated: October 5, 2018
Place: Karachi



Report of Directors of A.R.T. Modaraba Management (Pvt) Limited as on June 30, 2018

The Board of Directors of A.R.T. Modaraba Management (Pvt) Limited present the 28th Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30th June, 2018.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	Note	2018 -----Rupees-----	2017
Revenue	16	18,000,000	6,941,520
Administrative expenses	17	(15,710,805)	(2,658,696)
		<u>2,289,195</u>	<u>4,282,824</u>
Other income / (loss)	18	30,887	(436,003)
Financial Charges		(550)	(104)
		<u>2,319,532</u>	<u>3,846,717</u>
Modaraba Company's Management fee		-	(384,672)
Services sales tax on Management Company's fee	19	-	(50,007)
Profit before taxation		<u>2,319,532</u>	<u>3,412,038</u>
Taxation	20	-	(1,408,338)
Profit for the year		<u><u>2,319,532</u></u>	<u><u>2,003,700</u></u>
Earnings per certificate	21	<u><u>0.11</u></u>	<u><u>0.09</u></u>

2. BUSINESS

The diversity of the Modaraba concept provides unique kind of business opportunities, which are not available in other such entities of the Islamic financial regime; having tax benefit by distributing 90% of the net profit to its certificate holders.

Your Modaraba is now on solid footings and during the ensuing year will be in a better position to generate much higher return for its certificate holders In Sha Allah. Your Modaraba has established an A-Level college under the name of **Imperial Tutorial College (ITC)**, adopting a unique teaching model - the tutorial method of teaching aiming to defeat the tuition epidemic



our society is currently faced. ITC is Pakistan's first tutorial college - i.e. providing teaching and learning in very small groups (called tutorials) of no more than 8 students per class. The college at present is in an infancy stage, however, the Business model is unique and we expect to perform well in the next couple of years.

3. DIVIDEND

The Board of Directors have recommended a cash dividend @ 1% for the year ended 30.6.2018.

4. BOARD OF DIRECTOR

The Board of Directors assumed their office with effect from 13th February, 2018 for 3 years.

5. AUDITORS

The present auditors M/s. Muniff Ziauddin & Co., Chartered Accountants, are due for retirement and being eligible offer themselves for reappointment for the year ending June 30, 2018. As required by the Code of Corporate Governance, the Board of Audit Committee has recommended the re-appointment of M/s. Muniff Ziauddin & Co., Chartered Accountants, as auditors of the Company for the ensuing year.

6. STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Modaraba, present fairly it's state of affairs, the results of it's operations, cash flows and change 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom has been adequately disclosed.
- e. The system of internal control is sound and designed and have been effectively implemented and monitored.
- f. There are no significant doubts upon the Modaraba's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. The Directors and CEO do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
- i. Key operating and financial data for the last six years in summarized form is annexed.
- j. During the year four (4) meetings of the Board of Directors were held, attendance by each Director is as follows:-



<u>Name of Director</u>	<u>No. of Meetings attended</u>
Mr. Asad Ahmad	04
Ms. Marium Ahmad	03
Mr. Ahmed Khizer Khan	01

k. The pattern of certificate holdings is annexed.

7. ACKNOWLEDGMENTS

The Board would like to place on record its appreciation of hard work of the staff responsible for the Modaraba's affairs.

By Order of the Board

ASAD AHMAD
Chief Executive

Dated: October 17, 2018



INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Tri-star Modaraba** (the Modaraba) as at June 30, 2018 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 purpose of our audit.

These financial statements are the Modaraba Company's [A.R.T. Modaraba Management (Private) Ltd] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

1. the Modaraba has an investment in the group company Tri Star Energy Limited (an unlisted associated company) amounting to Rs. 64.595 million (2017: Rs. 67.275 million) in contravention to Clause 7(7) of the Prudential Regulations for Modaraba relating to investment in unlisted securities whereof the Modaraba are not allowed to have investment exceeding 5% of its equity;
2. As disclosed in note 12.3, the Modaraba has sold the shares of Tri-Star Energy Limited at par value. However, due to various reasons including those as explained by the management on this regard we are unable to determine arm length price of these shares.
 - a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First Tri-star Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;
 - b) In our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;



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

iii) the business conducted, investment made, and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

c) in our opinion, except for the matters referred in Para 1 and 2 above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan and, give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

KARACHI:
Dated: October 17, 2018

sd/-
MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS
(Sohail Saleem)



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company: First Tri-Star Modaraba

Year ended: June 30, 2018

The Modaraba Management Company (hereafter referred to as the Management Company) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 3 as per the following:

- a. Male: 2
- b. Female: 1

2. The Composition of board is as follows:

<u>CATEGORY</u>	<u>NAMES</u>
Independent	Mr. Ahmed Khizer Khan
Non Executive Director	Ms. Marium Ahmad
Executive Director	Mr. Asad Ahmad

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including the Management Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board of Directors/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All directors are compliant with necessary requirements of Directors Training Certification.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.



11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

Audit Committee:

<u>NAME</u>	<u>DESIGNATION</u>
Mr. Ahmed Khizer Khan	Chairman
Ms. Mariam Ahmad	Member
Mr. Asad Ahmad	Member

The board has not formed an HR and Remuneration Committee as Modaraba has no employee.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee 4 Quarterly meetings

15. The board has set up an effective internal audit function.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with except for matters as stated in point 12 above, towards which reasonable progress is being made by the Company to seek compliance shortly.

Karachi: October 17th, 2018

Asad Ahmad
Chief Executive



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of ART MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED, the Management Company of FIRST TRI - STAR MODARABA for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and 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, with the requirements contained in Regulations applicable to the Modaraba for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

Note reference	Description
12	As per the requirement of Para 28 (a) of the Regulations the board of directors of every listed company shall establish an Audit Committee at least of three members comprising of two non-executive directors and at least one independent director; the audit committee of the company comprises of only two members being one executive and one non-executive director. Furthermore, the board has not formed an HR and Remuneration Committee.

KARACHI: October 17, 2018

sd/-
MUNIFF ZIAUDDIN & CO
CHARTERED ACCOUNTANTS
(Sohail Saleem)



Alhamd
Shariah Advisory Services
Private Limited

ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED



نحمده و نصلى على رسوله الكريم

Shariah Advisor's Report

We were appointed in the capacity of Shariah Advisor by Tri-Star Modaraba in the month of October 2018; however on the request of BOD, we reviewed the operations and activities of the Modaraba with respect to Shariah for the period of July 2017 to June 30, 2018.

Based on our review, following are findings:

BANK ACCOUNTS:

Modaraba maintains one Bank account in Islamic Bank and two current accounts in conventional banks and a PLS account in HBL conventional bank.

To open and maintain a PLS account in any conventional Bank is not allowed by Shariah therefore we recommend Modaraba to close this account as soon as possible, and pay all interest generated during the period into charity.

RENTAL AGREEMENTS:

Modaraba executed two tenancy/rental agreements with the tenants. We reviewed the terms and conditions of these rental agreements and found them Shariah compliant.

EQUITY SHARES:

Modaraba's equity investments were made in approved Shariah compliant scripts, except for the following shares:

NON-SHARIAH COMPLIANT SHARES:

S.No	Name of Shares	Fair Value
1.	Bank Al Habib Ltd.	946
2.	Soneri Bank Ltd.	1,115
3.	Samba Bank Ltd.	214
4.	Nishat Chunian Ltd.	11,490
5.	Pakistan State Oil Company Ltd	318,310
6.	Sarito Spinning Mills Ltd.	6,765
7.	ORIX Leasing Pakistan Ltd	15,736
8.	Saudi Pak Leasing Ltd	-
9.	Muhammad Farooq Textile Mills Ltd	7,743
10.	Dewan Salman Fibre Ltd	6,622

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Phone: +92 322 2671867



Alhamd
Shariah Advisory Services
Private Limited

ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

DIVIDEND PURIFICATION:

Dividend of those companies whose nature of business is non Shariah, should be paid into charity as per Shariah. Therefore we recommend that the dividend of the following companies should be paid into charity:

S.No	Name of Institutions	Charitable amount
1.	Askari Bank Ltd.	71.00/-
2.	Bank Al Habib Ltd.	31.00/-
3.	MCB Bank Ltd.	8.84.00/-
4.	Orix Leasing Pakistan Ltd.	932.00/-
5.	Soneri Bank Ltd.	55.00/-
Total		1,098.00/-

Dividend of those companies whose nature of business is Shariah compliant, however due to placement of excess funds in conventional banks and conventional instruments, these companies earn interest. Whole dividend of these companies will not be paid into charity; however to the extent of interest based portion, the dividend amount will be paid into charity. The details are as below:

S.No	Name of Institutions	Charitable Amount
1.	Hino Pak Motors	8.00/-
2.	Nishat Mills Ltd	14.00/-
3.	Packages Ltd.	59.00/-
4.	Nishat Chunian Ltd.	Under Process
5.	Shell Pakistan Ltd.	4.00/-
Total		85.00/-

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(PVT) LIMITED

RECOMMENDATIONS:

- Modaraba should dispose-off, as early as possible, non Shariah Compliant shares as mentioned in the list of Non- Shariah Complaint Shares.
- PLS bank account of HBL should be processed for its closure; however Modaraba may open bank account(s) in any Islamic Bank or Islamic Banking window.
- Interest amount of Rs 144.28 received by Modaraba on HBL PLS account should be paid into charity.
- Modaraba should pay into charity the charitable amount as mentioned above under the details of "Dividend Purification".

Mufti Ubaid ur Rahman Zubairi

For and on behalf of

Alhamd Shariah Advisory Services (Private) Limited

Dated: October, 23, 2018



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**Balance Sheet as at**

		2018	Restated 2017	2016
	Note	-----Rupees-----		
CAPITAL AND RESERVES				
Authorised Capital 40,000,000 (2017: 40,000,000) Modaraba Certificates of Rs. 10 each		400,000,000	400,000,000	400,000,000
Issued, subscribed and paid-up certificate capital	6	211,631,040	211,631,040	211,631,040
Reserves	7	31,744,353	31,280,446	30,053,000
Accumulated loss		(34,550,400)	(36,406,025)	(37,182,279)
Certificate holders' equity		208,824,993	206,505,461	204,501,761
Unrealized loss on remeasurement of available-for-sale investments		(7,598,788)	(6,990,630)	(8,168,109)
CURRENT LIABILITIES				
Creditors, accrued and other liabilities	8	3,829,571	3,604,676	12,075,556
Unclaimed dividend		7,525,416	7,525,416	7,525,416
Provision for taxation		-	1,408,338	-
Total current liabilities		11,354,987	12,538,430	19,600,972
Contingencies and commitments	9			
		212,581,192	212,053,261	215,934,624

Karachi: October 17, 2018



June 30, 2018

		2018	Restated 2017	2016
	Note	-----Rupees-----		
NON-CURRENT ASSETS				
Property and equipments	10	1,321,950	139,263,912	188,842
Capital work in process		-	-	1,519,900
Investment property	11	125,155,275	-	-
Long term deposit		21,000	21,000	21,000
Long term investments	12	64,595,418	67,276,478	72,720,333
Advance against purchase of property		-	-	132,900,000
Total non-current assets		191,093,643	206,561,390	207,350,075
CURRENT ASSETS				
Due from associated undertakings		18,000,000	-	-
Trade debts - unsecured considered good		-	-	4,708,399
Short term investments	13	2,941,582	3,548,680	3,346,217
Advance and deposits	14	302,221	1,705,929	295,152
Other receivables		13,061	96,249	96,249
Cash and bank balances	15	230,685	141,014	138,532
Total current assets		21,487,549	5,491,871	8,584,549
		212,581,192	212,053,261	215,934,624

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

Asad Ahmad
Chief Executive

Marium Ahmad
Director

Ahmed Khizer Khan
Director

Mohammad Zameer
Chief Financial Officer



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 -----Rupees-----	2017
Revenue	16	18,000,000	6,941,520
Administrative expenses	17	(15,710,805)	(2,658,696)
		<u>2,289,195</u>	<u>4,282,824</u>
Other income / (loss)	18	30,887	(436,003)
Financial charges		(550)	(104)
		<u>2,319,532</u>	<u>3,846,717</u>
Modaraba Company's Management fee		-	(384,672)
Services sales tax on Management Company's fee	19	-	(50,007)
Profit before taxation		<u>2,319,532</u>	<u>3,412,038</u>
Taxation	20	-	(1,408,338)
Profit for the year		<u><u>2,319,532</u></u>	<u><u>2,003,700</u></u>
Earnings per certificate	21	<u><u>0.11</u></u>	<u><u>0.09</u></u>

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

Asad Ahmad
Chief Executive

Marium Ahmad
Director

Ahmed Khizer Khan
Director

Mohammad Zameer
Chief Financial Officer

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 -----Rupees-----	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,319,532	3,412,038
Add/(Less): Item not involving movement of cash:			
Depreciation		14,060,645	1,201,930
Dividend income		(30,743)	(50,170)
Loss on sale of investment		-	631,294
		14,029,902	1,783,054
		16,349,434	5,195,092
Changes of Working Capital:			
(Increase) Decrease in current assets		(17,916,812)	4,708,399
Increase (Decrease) in current liabilities		224,895	(8,470,880)
		(17,691,917)	(3,762,481)
Income tax paid		(4,632)	(1,410,777)
Net cash generated from operating activities		(1,347,114)	21,835
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend income		30,743	50,170
Advance against purchase of property		-	132,900,000
Write off Capital Work-in-Progress		-	1,519,900
Capital Expenditure Incurred		(1,273,958)	(140,277,000)
Sale proceeds of investments		2,680,000	5,787,577
Net cash outflow from investing activities		1,436,785	(19,353)
Net increase/(decrease) in cash & cash equivalents during the year		89,670	2,482
Cash & cash Equivalent at the beginning of the year		141,014	138,532
Cash & cash Equivalent at the end of the year		230,685	141,014

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

Asad Ahmad
Chief ExecutiveMariam Ahmad
DirectorAhmed Khizer Khan
DirectorMohammad Zameer
Chief Financial Officer



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	----- Rupees -----	
Profit for the year	2,319,532	2,003,700
Components of other comprehensive income reflected below equity		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Unrealized (loss) / gain during the year on re-measurement of investment classified as available for sale *	(608,158)	1,177,479
Total comprehensive income for the year	<u>1,711,374</u>	<u>3,181,179</u>

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

Asad Ahmad
Chief Executive

Marium Ahmad
Director

Ahmed Khizer Khan
Director

Mohammad Zameer
Chief Financial Officer



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

Particulars	Certificate Capital	General Reserve	Statutory Reserve	Re-measurement of investment classified as available for sale	Accumulated Loss	Total
-----Rupees-----						
Balance as at June 30, 2016	211,631,040	10,000,000	20,053,000	(8,168,109)	(37,182,279)	196,333,652
Effect of change in accounting policy (see note 5.1)				8,168,109		8,168,109
Balance as at June 30, 2016 (restated, see note 5.1)	211,631,040	10,000,000	20,053,000	-	(37,182,279)	204,501,761
Profit for the year	-	-	-	-	2,003,700	2,003,700
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,003,700	2,003,700
Transfer to statutory reserves	-	-	1,227,446	-	(1,227,446)	-
Balance as at June 30, 2017 (restated, see note 5.1)	211,631,040	10,000,000	21,280,446	-	(36,406,025)	206,505,461
Profit for the year	-	-	-	-	2,319,532	2,319,532
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,319,532	2,319,532
Transfer to statutory reserves	-	-	463,906	-	(463,906)	-
Balance as at June 30, 2018	211,631,040	10,000,000	21,744,353	-	(34,550,400)	208,824,993

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

Asad Ahmad
Chief Executive

Marium Ahmad
Director

Ahmed Khizer Khan
Director

Mohammad Zameer
Chief Financial Officer



Last Six Years Results at a Glance

	2018	2017	2016	2015	2014	2013
Financial Position						
Paid-up Capital (Rs.)	211,613,040	211,613,040	211,613,040	211,613,040	211,613,040	211,613,040
Reserves (Rs.)	(2,806,047)	(5,125,579)	(7,129,279)	(19,685,359)	(17,802,652)	(16,373,079)
Fixed Assets-WDV (Rs.)	126,477,225	139,263,912	188,842	210,352	234,417	261,379
Investments at Cost (Rs.)	70,825,158	70,825,158	76,066,550	75,766,110	75,041,878	89,180,865
Current Assets (Rs.)	21,487,549	5,491,871	8,584,549	137,654,315	164,748,845	170,696,479
Current Liabilities (Rs.)	11,354,987	12,538,430	19,600,972	20,178,196	45,419,241	64,291,522
Income						
Gain/(Loss) on sale of investments	-	(631,294)	-	(374,220)	(1,635,414)	7,179
Dividend Income	30,743	50,170	32,614	30,723	81,872	30,406
Net Profit/(Loss) for the year	2,319,532	2,003,700	4,133,531	(3,161,029)	(2,147,992)	(716,495)
Accumulated Profit/(Loss)	(34,550,400)	(36,406,025)	(37,182,279)	(41,315,810)	(38,154,781)	(36,006,789)
Statistics & Ratios						
Operating Profit/(Loss)						
Ratio (%)	12.89	55.42	87.10	(823.10)	(38.26)	(2,006.33)
Net Profit/(Loss) Ratio (%)	0.13:1	0.29:1	0.44:1	6.82:1	3.63:1	2.66:1
Current Ratio						
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	0.110	0.095	0.195	(0.149)	(0.101)	(0.034)
Breakup value per Share (Rs.)	9.87	9.76	9.66	9.07	9.16	9.23
Net Assets (Rs in Million)	208.825	206.505	204.502	191.946	193.828	195.258
Net Asset Value Per Share (Rs.)	9.87	9.76	9.66	9.07	9.16	9.23
Cash Dividend (%)	1%	-	-	-	-	-
Bonus Dividend (%)	-	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF THE BUSINESS

First Tri-Star Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by A.R.T. Modaraba Management (Private) Ltd. The Modaraba is a perpetual Modaraba and is primarily engaged in leasing / Ijarah of plant, machinery, motor vehicles (both commercial and private) and computer equipment, etc. The Modaraba is listed on Pakistan Stock Exchange Limited. The registered office of the Modaraba is situated at A/33, Central Commercial Area, Block 7/8, KCHSU, Karachi.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act 2017;

Provisions of and directions issued under the Companies Act 2017;

Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and

Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modaraba differ from IFRS Standards and IFAS, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement", wherever applicable.

Permissible Islamic financial products including Murabaha (as a liability) and Musharaka have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharaka profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.

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



2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Pakistan Rupees, which is the functional and presentation currency of the Modaraba. All information presented has been rounded off to the nearest Rupee.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

During the year certain amendments to the approved accounting standards and new interpretations became effective. However, these do not have any significant or material impact on the Modaraba's financial reporting and therefore have not been detailed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Modaraba:

IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Modaraba is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Modaraba is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Modaraba's financial reporting.

Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Modaraba's financial statements.

Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Modaraba's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Modaraba's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Modaraba's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Modaraba's financial statements.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTP'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Modaraba's financial statements.



Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Modaraba's financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above improvements to standards are not likely to have material / significant impact on Modaraba's financial statements.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modarabas 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, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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
- Useful lives of depreciable assets	5.2
Useful lives of intangible assets	5.3
- Provision for income taxes	5.12
- Staff provident fund	5.13
- Provision against Ijarah and Musharaka receivables	5.1
- Impairment of assets	5.22

5 SUMMARY OF 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 or otherwise stated.



5.1 Change in accounting policy

Pursuant to the amendment in the Prudential Regulations for Modarabas by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017, the surplus on revaluation of investments shall not become part of equity. Previously, such surplus was presented as a separate component of equity. In view of the above amendment, the Modaraba has changed its accounting policy in respect of recording the surplus on revaluation of investments and the same is now shown below the equity as a separate line item on the balance sheet.

The above change is accounted for in accordance with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Statement of Financial Position

	As previously reported	Impact of change in accounting policy	As restated
		-----Rupees-----	
July 1, 2016			
Assets	215,934,624	-	215,934,624
Liabilities	19,600,972	-	19,600,972
Equity	196,333,652	8,168,109	204,501,761
Separate Line item			
Unrealized loss on remeasurement of available-for-sale investments	-	(8,168,109)	(8,168,109)

		-----Rupees-----	
July 1, 2017			
Assets	212,053,261	-	212,053,261
Liabilities	12,538,430	-	12,538,430
Equity	199,514,831	6,990,630	206,505,461
Separate Line item			
Unrealized loss on remeasurement of available-for-sale investments	-	(6,990,630)	(6,990,630)

5.2 Fixed assets - tangible

The principal accounting policies applied in the preparation of these financial statement are set out below. These policies have been consistently applied to all the years presented.

5.2.1 Assets in own use and depreciation

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

Depreciation is charged to income applying the 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 10.

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 at each financial year end, and adjusted if impact on depreciation is significant.

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. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

5.2.2 Assets leased out under Ijarah and depreciation

Ijarah (lease) assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the Ijarah (lease) period, which is considered to be the estimated useful life of the asset. In respect of additions of disposals during the year, depreciation is charged proportionately from the date of delivery of assets to the date of its maturity / termination.

5.3 Fixed assets - intangible

Intangible assets acquired having finite useful life are capitalized at cost and stated at cost less amortization. Cost of such assets are amortized on a straight line basis over a period of life.

Amortization 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.

Intangibles having infinite life are capitalized at cost and are carried at cost less impairment, if any.

5.4 Trade debtors and other receivables

Trade debtors and other receivables are carried at original invoice amounts. Balances considered bad and irrecoverable are written off when identified.

5.5 Capital work in progress

Capital work in progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

5.6 Investment in associates

Investment in associates which are entities over which the Modaraba Management Company has significant influence but not control, are carried using equity method.

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 recognize further losses, unless it has incurred obligations or made payments on behalf of associate.

5.7 Financial instruments

Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the instruments and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled and expired.

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.

Subsequent measurement

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



5.7.1 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

Held to maturity investments

Available-for-sale financial assets.

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:

Long term advances and deposits

Ijarah rental receivables

Musharaka receivables

Advances

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 classified as 'at fair value through profit or loss' or held for trading.

Financial assets in this category are measured at fair value with gains or losses recognized 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.

Held-to-maturity investments

These are securities with fixed or determinable payments and fixed maturity which the Modaraba has the positive intent and ability to hold to maturity. These are measured at amortized cost.

Available for sale

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'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale 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. Net gains and losses arising on changes in fair value of these investments are taken to other comprehensive income.

Derecognition of financial assets

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.



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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

5.7.2 Financial liabilities

The Modaraba's financial liabilities include:

Long term security deposits
Accrued profit on IFC income notes
Accrued and other liabilities

Off-setting of financial assets and liabilities

A financial asset and financial liability is off-set 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.

5.8 Stocks

Stock is valued principally at the lower of cost determined on the first in first out basis and net realizable value. Cost of raw materials and trading stock comprises the invoice values and other charges paid thereon. Cost of work in process and finished goods include prime cost and appropriate portion of manufacturing overheads. Items in transit are stated at invoice value plus other incidental charges paid thereon up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and costs necessarily to be incurred to make the sales.

5.9 Stores and spares

All stores, spares and loose tools either imported or purchased locally are charged to income when consumed and are valued at cost, which is determined on a first-in-first-out basis. Spares-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

The Modaraba reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spares and loose tools.

5.10 Musharaka and Ijarah finance

Musharaka and Ijarah finance are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, these are stated at net of provision and suspense income. Provision is made in accordance with the prudential regulations for Modarabas issued by SECP and is charged to profit and loss account currently.



5.11 Revenue recognition

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

Toll manufacturing income is recognized when services are rendered.

Profit on Musharaka receivables and finances are accounted for on the basis of expected rate of profit. The effect of adjustments, if any, between actual rate and expected rate of profit is accounted for at the time of determinations of the actual rate. Unrealized Musharaka income is excluded from profit on Musharaka receivables in accordance with the requirement of Prudential Regulations for Modarbas issued by SECP.

Rental income is recognized when the right to receive the payment is established.

Return on investment and deposits with banks are recognized on an accrual basis.

Ijarah / lease rental income is recognized on an accrual basis.

Dividend income is recognized when the right to receive the payment is established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

5.12 Taxation

5.12.1 Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. The Modaraba has decided to continue availing tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

5.12.2 Deferred

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

However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

5.13 Staff provident fund

The Modaraba operates a recognize provident funds for all eligible employees and contributions to the provident fund are made at the rate of 10% of the basic salary of employees.

5.14 Borrowings and their costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

5.15 Provisions

Provisions are recognized when the Modaraba has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



5.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash at bank and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5.17 Accrued and other payables

Liabilities for accrued and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

5.18 Functional and presentation currency

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

5.19 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.

5.20 Transactions with related parties

All transactions with related parties are carried out by the Modaraba at arm's length.

5.21 Profit distribution to certificates holders

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

5.22 Impairment of non financial assets

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

5.23 Segment reporting

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

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organized into 'Musharaka', 'Ijarah', 'Investment' and 'Manufacturing' segments.



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

5.24 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 continue to provide optimum returns to it's certificate holders' and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba's 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 capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.

5.25 Investment property

Investment properties comprise of building that is held for rental yields. Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to income applying the reducing balance method whereby the depreciable amount of an asset is written off over its estimated useful life. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

5.26 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

**6 Issued, subscribed and paid-up certificate capital**

2018	2017		2018	2017
No of shares			-----Rupees-----	
11,900,000	11,900,000	Modaraba Certificates of Rs. 10 each fully paid in cash.	119,000,000	119,000,000
2,180,000	2,180,000	Bonus certificates of Modaraba of Rs. 10 each issued as fully paid.	21,800,000	21,800,000
7,083,104	7,083,104	Modaraba Certificates of Rs.10 issued for acquisition	70,831,040	70,831,040
			<u>211,631,040</u>	<u>211,631,040</u>

7 Reserves

General Reserve	10,000,000	10,000,000
Statutory Reserve	21,744,353	21,280,446
	<u>31,744,353</u>	<u>31,280,446</u>

In accordance with the new Prudential Regulations for Modaraba Circular No: 4/2001 dated June 14, 2001 issued by the Registrar Modaraba, the Modaraba is required to transfer not less than 20% of its after tax profit to statutory reserve until the reserve equal the paid - up capital. Thereafter, 5% of the after tax are required to be transferred to the reserve.

8 Creditors, accrued and other liabilities

Accrued expenses	1,160,194	938,282
Management fee	384,672	384,672
Sales tax payable on Management fees	50,007	50,007
Other liabilities	2,234,698	2,231,715
	<u>3,829,571</u>	<u>3,604,676</u>

9 Contingencies and commitments

There are no contingencies and commitments as on June 30, 2018 (2017 : Nil)



10 Property and equipments

Property and equipments							
2018							
Particulars	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Building	Total
-----Rupees-----							
As at June 30 2017							
Cost	119,700	412,250	935,650	379,419	217,700	140,230,000	142,294,719
Accumulated Depreciation	(62,448)	(410,310)	(854,985)	(350,101)	(184,380)	(1,168,583)	(3,030,807)
Net book amount	57,252	1,940	80,665	29,318	33,320	139,061,417	139,263,912
Year ended June 2018							
<i>Gross carrying amount</i>							
Balance July 01, 2017	119,700	412,250	935,650	379,419	217,700	140,230,000	142,294,719
Additions	-	-	1,273,958	-	-	-	1,273,958
Disposals	-	-	-	-	-	-	-
Transferred to investment property	-	-	-	-	-	(140,230,000)	(140,230,000)
Balance June 30, 2018	119,700	412,250	2,209,608	379,419	217,700	-	3,338,677
<i>Accumulated Depreciation</i>							
Balance July 01, 2017	62,448	410,310	854,985	350,101	184,380	1,168,583	3,030,807
Depreciation charge for the year	5,725	388	135,462	2,932	9,996	-	154,503
Disposals	-	-	-	-	-	-	-
Transferred to investment property	-	-	-	-	-	(1,168,583)	(1,168,583)
Balance June 30, 2018	68,173	410,698	990,447	353,033	194,376	-	2,016,727
Net book amount	51,527	1,552	1,219,161	26,386	23,324	-	1,321,950
As at June 30 2018							
Cost	119,700	412,250	2,209,608	379,419	217,700	-	3,338,677
Accumulated Depreciation	(68,173)	(410,698)	(990,447)	(353,033)	(194,376)	-	(2,016,727)
Net book amount	51,527	1,552	1,219,161	26,386	23,324	-	1,321,950
Rate	10%	20%	10%	10%	30%	30%	

2017							
Particulars	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Building	Total
-----Rupees-----							
As at June 30 2016							
Cost	119,700	412,250	935,650	379,419	170,700	-	2,017,719
Accumulated Depreciation	(56,087)	(409,825)	(846,022)	(346,844)	(170,100)	-	(1,828,877)
Net book amount	63,613	2,425	89,628	32,575	600	-	188,842
Year ended June 2017							
<i>Gross carrying amount</i>							
Balance July 01, 2016	119,700	412,250	935,650	379,419	170,700	-	2,017,719
Additions	-	-	-	-	47,000	140,230,000	140,277,000
Disposals	-	-	-	-	-	-	-
Balance June 30, 2017	119,700	412,250	935,650	379,419	217,700	140,230,000	142,294,719
<i>Accumulated Depreciation</i>							
Balance July 01, 2016	56,087	409,825	846,022	346,844	170,100	-	1,828,877
Depreciation charge for the year	6,361	485	8,963	3,258	14,280	1,168,583	1,201,930
Disposals	-	-	-	-	-	-	-
Balance June 30, 2017	62,448	410,310	854,985	350,101	184,380	1,168,583	3,030,807
Net book amount	57,252	1,940	80,665	29,318	33,320	139,061,417	139,263,912
As at June 30 2017							
Cost	119,700	412,250	935,650	379,419	217,700	140,230,000	142,294,719
Accumulated Depreciation	(62,448)	(410,310)	(854,985)	(350,101)	(184,380)	(1,168,583)	(3,030,807)
Net book amount	57,252	1,940	80,665	29,318	33,320	139,061,417	139,263,912
Rate	10%	20%	10%	10%	30%	10%	

**11 Investment property**

Particulars	Building Rupees
Year ended June 2018	
<i>Gross carrying amount</i>	
Balance July 01, 2017	-
Additions	140,230,000
Disposals	-
Balance June 30, 2018	<u>140,230,000</u>
<i>Accumulated Depreciation</i>	
Balance July 01, 2017	-
Additions	1,168,583
Depreciation charge for the year	13,906,142
Disposals	-
Balance June 30, 2018	<u>15,074,725</u>
<i>Net book amount</i>	<u>125,155,275</u>
As at June 30 2018	
Cost	140,230,000
Accumulated Depreciation	(15,074,725)
<i>Net book amount</i>	<u>125,155,275</u>
Rate	<u>10%</u>

11.1 The Modaraba acquired commercial office space for a total consideration of Rs. 140.230 million during the year ended June 30, 2016. However, the title of the same was not transferred in the name of the Modaraba in view of the order passed by the Honorable Supreme Court of Pakistan imposing the condition of completion plan duly approved by the Sind Building Control Authority of registration of Sale Deed by the Sub-Registrar of Properties. The seller has already applied for approval of Completion Plan to the Sind Building Control Authority and the approval of same is awaited. As soon as Completion Plan is issued the Sale Deed will be registered before the concerned Sub-Registrar of Properties.

11.2 During the year the above building has been rented out to the associated undertakings of the Modaraba, therefore the same has been transferred to the "Investment Property" from the "Property and Equipments".



		2018	2017
12 Long term investments	Note	-----Rupees-----	
Available for sale			
Shares and certificates of listed companies & associated undertaking	12.1	10,418	11,478
Shares of unlisted subsidiary & associated undertakings	12.2	64,585,000	67,265,000
		<u>64,595,418</u>	<u>67,276,478</u>

12.1 Investments in listed companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2018		2017	
			Cost	Fair Value	Cost	Fair Value
2018	2017		Rupees	Rupees	Rupees	Rupees
476	227	Tri-Star Polyester Limited	5,821	7,906	3,551	6,910
400	400	Tri-Star Power Limited	8,634	2,512	8,634	4,568
			<u>14,455</u>	<u>10,418</u>	<u>12,185</u>	<u>11,478</u>
		Less: Fair Value Adjustment	4,037		707	
		Fair Value	<u>10,418</u>		<u>11,478</u>	

12.2 Investment of Unlisted companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2018	2017
			Cost	Cost
2018	2017		Rupees	Rupees
6,458,500	6,726,500	Tri-Star Energy Limited	64,585,000	67,265,000
(Percentage Holding)				
21%	22%			
		Less: Fair Value Adjustment	-	-

12.3 During the year, the Management has sold the 268,000 (2017: 544,600) shares amounting to Rs. 2,680,000 (2017: Rs. 5,446,000) at the face value to related parties as disclosed in note 22. The power project which Tri-Star Energy Limited was putting up is under litigation vide suit 312/1996 and is in evidence stage. As Tri-Star Energy Limited is a public unlisted Company and the Modaraba is unable to liquidate its investment made in Tri-Star Energy Limited in the open market, selling shares of Tri-Star Energy Limited at par value of Rs. 10/- would be considered an arm length value.

Break up value as per latest financial statements as audited by Ghalib & Co. Chartered Accountants for the year ended June 30, 2017 is Rs. 25.27 per share.



13 Short term investments

No. of Shares/Certificates		Name of Company	2018		2017	
			Cost	Fair Value	Cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
437	437	Orix Modaraba	7,305	7,259	7,305	10,195
70	70	First IBL Modaraba	1,860	306	1,860	308
		Orix Leasing Pakistan				
362	362	Limited	9,938	15,736	9,938	14,571
		Saudi Pak Leasing				
132	132	Limited	2,349	-	2,349	321
12	12	Bank AL Habib Limited	23	946	23	681
86	86	Soneri Bank Limited	315	1,115	315	1,262
28	28	Samba Bank Limited	500	214	500	200
851	851	Saritow Spinning Mills	12,375	6,765	12,375	7,821
		Faisal Spinning Mills				
100	100	Limited	3,115	30,000	3,115	28,913
171	171	Sana Industries Limited	11,499	6,498	11,499	8,302
242	242	Nishat Chunian Limited	2,882	11,490	2,882	12,419
140	140	Nishat Mills Limited	3,533	19,729	3,533	22,215
		Jubilee Spinning &				
127	127	Weaving Mills Limited	2,004	747	2,004	777
		Kohinoor Industries				
301	301	Limited	11,264	1,093	11,264	1,610
		Mohammad Farooq				
230	230	Textile Mills Ltd.	7,743	-	7,743	918
20	20	Hinopak Motors Limited	1,660	16,154	1,660	26,200
		Engro Corporation				
6,000	6,000	Limited	246,032	1,883,160	246,032	1,955,460
		Sanofi-Aventis (Aventis)				
100	100	Limited	16,064	107,000	16,064	177,666
259	259	Packages Limited	7,816	126,837	7,816	180,155
2,000	2,000	Cherat Cement Limited	83,600	194,460	83,600	357,560
613	613	Shell Pakistan Limited	1,280	193,763	1,280	352,702
		Pakistan State Oil				
1,000	1,000	Company limited	415,215	318,310	415,215	387,350
		Dewan Salman Fibre				
264	264	Limited	6,622	-	6,622	1,074
			854,994	2,941,582	854,994	3,548,680
Fair Value Adjustment			2,086,588		2,693,686	
Fair Value			2,941,582		3,548,680	



	Note	2018 -----Rupees-----	2017
14 Advance and Deposits			
Advance income tax		264,721	1,668,429
Security deposit with CDC		37,500	37,500
		<u>302,221</u>	<u>1,705,929</u>
15 Cash and Bank Balances			
Cash in hand		172,703	116,367
Bank balances			
- Profit and loss account	15.1	7,761	7,631
- Current accounts		50,220	17,016
		57,982	24,647
		<u>230,685</u>	<u>141,014</u>
15.1 This carries profit at rates ranging from 3% to 4% (2017: 3% to 4%).			
16 Revenue			
Commission income		-	6,941,520
Rental income		18,000,000	-
		<u>18,000,000</u>	<u>6,941,520</u>
17 Administrative Expenses			
Entertainment		4,010	110
Registrar services		203,441	164,282
Postage and telegram		1,470	-
Vehicle up-keep		35,955	32,977
General expenses		160	77,465
Advertisement		117,625	7,175
Printing and stationary		26,200	29,229
Telephone expenses		-	9,737
Auditors' remuneration	17.1	270,000	270,000
Arrear Auditors' remuneration		55,000	-
Travelling & conveyance		-	196,927
Fees and subscription		936,300	665,589
Charity / donation		-	3,275
Depreciation		14,060,645	1,201,930
		<u>15,710,805</u>	<u>2,658,696</u>
17.1 Auditors' remuneration			
Audit fee		250,000	250,000
Out of pocket		20,000	20,000
		<u>270,000</u>	<u>270,000</u>
18 Other Income / (Loss)			
Dividend income	18.1	30,743	50,170
Morabaha income		-	40,377
Mark-up income		144	473
Reversal off other payable		-	1,089,547
Reversal off accrued expenses		-	534,624
Write off Capital Work-in-Progress		-	(1,519,900)
Loss on sale of investments		-	(631,294)
		<u>30,887</u>	<u>(436,003)</u>

**Companies delisted/Trading suspended**

No. of Shares/Certificates		Name of Company	2018		2017	
			Cost	Fair Value	Cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
400	400	Islamic Investment Bank Limited	2,757	-	2,757	-
		Innovative Investment Bank				
5	5	Limited	4,545	-	4,545	-
102,350	102,350	Mohib Exports Limited	2,436,070	-	2,436,070	-
		Business & Industries insurance				
500	500	Company Limited	5,000	-	5,000	-
600	600	Mian Mohd. Sugar Mills Limited	6,000	-	6,000	-
17,671	17,671	Mohib Textile Mills Limited	897,530	-	897,530	-
10,000	10,000	Sunshine Cloth Limited	160,900	-	160,900	-
			<u>3,503,257</u>		<u>3,503,257</u>	

The fair value of investments of companies which are under suspension and delisted by Pakistan Stock Exchange Limited is taken as nil.



	Note	2018 -----Rupees-----	2017
18.1 Dividend Income			
Askari Bank		89	134
Bank Al Habib Ltd		36	42
MCB Bank Ltd		9	-
Din Textile Mills		-	500
First IBL Modaraba		25	25
Hinopak Motors		1,355	1,796
Nishat (Chunian) Ltd		626	605
Nishat Mills Ltd		700	700
Orix Leasing Pakistan		1,086	1,629
Orix Modaraba		1,180	6,586
Packages Limited		7,770	6,475
Sana Industries Ltd		1,725	4,099
Shell Pakistan Ltd		16,077	27,472
Soneri Bank Ltd		65	108
		<u>30,742</u>	<u>50,170</u>
19 Services Sales Tax on Management Company's Remuneration			
Current year		<u>-</u>	<u>50,007</u>
20 Taxation			
Current year		-	839,254
Prior year		-	569,085
		<u>-</u>	<u>1,408,338</u>
The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. No provision for taxation has been made in these financial statements as Modaraba intends to declare more than 90% of its profit as cash dividend. As such the income of Modaraba will remain tax free under the Income Tax Ordinance, 2001.			
21 Earnings per certificate			
Profit before Taxation		<u>2,319,532</u>	<u>2,003,700</u>
No. of Ordinary Certificates		<u>21,163,104</u>	<u>21,163,104</u>
Earnings per certificate		<u>0.11</u>	<u>0.09</u>



22 Transaction With Related Parties

The related parties comprise related group companies, directors and close family members, executives, major certificate holders and staff retirement funds of the Modaraba. These are the associated companies as they are either under the same management and / or with common directors. The Modaraba has a policy whereby all transactions with related parties are entered into arm's length prices using the comparable uncontrollable method. The significant transactions with these associated companies are as follows:

Transactions	Relationship	2018	2017
		-----Rupees-----	
Disposal of unlisted shares of Tri star Energy Ltd to Mariam Ahmed.	Key management personnel's relative	-	5,446,000
Disposal of unlisted shares of Tri star Energy Ltd to Ms. Shamima Begum	Key management personnel's relative	2,680,000	-
Management fee	Management company	-	384,672
Balance as at the year end			
Payable to Modaraba Management Company		384,672	384,672
Investment in Tri - Star Energy Limited	Associate undertaking	64,585,000	67,265,000
Investment in Tri - Star Polyester Limited	Associate undertaking	7,906	6,910
Investment in Tri-Star Power Limited	Associate undertaking	2,512	4,568

23 Financial Instrument And Related Disclosures

23.1 Financial risk management

The Modaraba's objective in managing risks is the creation and protection of Certificate holder's value. Risk is inherent in the Modaraba activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in Ijarah (lease) assets, musharaka and diversified portfolio of listed securities. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit risk
- Liquidity risk
- Market risk



23.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its 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 trade debts, loans and advances, trade deposits, other receivables and deposits with banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	-----Rupees-----	
Trade debts	18,000,000	-
Advance and deposits	302,221	1,705,929
Bank balances	57,982	24,647
	<u>18,360,203</u>	<u>1,730,576</u>

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 of recovery.

23.3 Liquidity risk

The Modaraba defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

A range of tools is used for the management of liquidity. These comprise commitment and under writings guidelines, key balance sheet ratios and medium-term funding requirements. Moreover, day-to-day monitoring of future cash flows takes place and suitable levels of liquid reserves are maintained by the business.



		2018			
		Upto one year	One year to five years	Over five years	Total
		-----Rupees -----			
Financial assets					
Long term deposit		-	21,000	-	21,000
Long term investments		-	64,595,418	-	64,595,418
Trade -debts, unsecured, considered good		18,000,000	-	-	18,000,000
Short term investments		2,941,582	-	-	2,941,582
Advance and deposits		302,221	-	-	302,221
Other receivables		13,061	-	-	13,061
Cash and bank balances		230,685	-	-	230,685
	(a)	<u>21,487,549</u>	<u>64,616,418</u>	<u>-</u>	<u>86,103,967</u>
Financial liabilities					
Creditors, accrued and other liabilities	(b)	<u>3,829,571</u>	<u>-</u>	<u>-</u>	<u>3,829,571</u>
On-balance sheet gap	(a-b)	<u>17,657,978</u>	<u>64,616,418</u>	<u>-</u>	<u>82,274,396</u>

		2017			
		Upto one year	One year to five years	Over five years	Total
		-----Rupees -----			
Financial assets					
Long term deposit		-	21,000	-	21,000
Long term investments		-	67,276,478	-	67,276,478
Trade -debts, unsecured, considered good		-	-	-	-
Short term investments		3,548,680	-	-	3,548,680
Advance and deposits		1,705,929	-	-	1,705,929
Other receivables		96,249	-	-	96,249
Cash and bank balances		141,014	-	-	141,014
	(a)	<u>5,491,871</u>	<u>67,297,478</u>	<u>-</u>	<u>72,789,349</u>
Financial liabilities					
Creditors, accrued and other liabilities	(b)	<u>3,604,676</u>	<u>-</u>	<u>-</u>	<u>3,604,676</u>
On-balance sheet gap	(a-b)	<u>1,887,195</u>	<u>67,297,478</u>	<u>-</u>	<u>69,184,673</u>

**23.4 Market risk**

Market risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of the changes in the market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk comprise of three types of risks : currency risk, interest rate risk and other price risk.

23.5 Management of market risks

The management modaraba manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the board of directors of the management Modaraba.

The Modaraba is exposed to currency risk and interest rate risk only.

23.6 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

23.7 Interest rate risk

The Modaraba believes that it is not exposed to major concentrations of interest rate risk. The Modaraba places the cash and cash equivalents available for short term periods with banks and financial institutions.

24 Fair Value of Financial Instruments

The carrying value of financial instruments reflected the financial statement approximate their fair values.

	2018	2017
	-----Rupees -----	
24.1 Financial instruments by category		
Loans and receivables		
Cash and bank balances	230,685	141,014
Other receivables	13,061	96,249
Advance and deposits	302,221	1,705,929
Long term deposit	21,000	21,000
Available-for-sale financial assets		
Investments	67,537,000	70,825,158
(a)	<u>68,103,967</u>	<u>72,789,349</u>
Financial liabilities		
Other financial liability		
Creditors, accrued and other liabilities	(b) <u>3,829,571</u>	<u>3,604,676</u>
(a-b)	<u>64,274,396</u>	<u>69,184,673</u>

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

**24.2 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of financial asset fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Modaraba determine fair values using valuation techniques unless the fair value cannot be reliably measured.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

The table below shows the carrying amounts and fair values of a financial asset and financial liability including their fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

		2018			
		Rupees			
		Carrying amount / Cost	Level 1	Level 2	Level 3
Financial instruments by category					
Loans and receivables					
Cash and bank balances	230,685	-	-	-	-
Other receivables	13,061	-	-	-	-
Advance and deposits	302,221	-	-	-	-
Long term deposit	21,000	-	-	-	-
Available-for-sale financial					
Investments	67,537,000	2,952,000	-	-	-
Financial liabilities					
Other financial liability					
Creditors, accrued and other liabilities	3,829,571	-	-	-	-
		2017			
		Rupees			
		Carrying amount / Cost	Level 1	Level 2	Level 3
Financial instruments by category					
Loans and receivables					
Cash and bank balances	141,014	-	-	-	-
Other receivables	96,249	-	-	-	-
Advance and deposits	1,705,929	-	-	-	-
Long term deposit	21,000	-	-	-	-
Available-for-sale financial assets					
Investments	70,825,158	3,560,158	-	-	-
Financial liabilities					
Other financial liability					
Creditors, accrued and other liabilities	3,604,676	-	-	-	-



25 Remuneration of chief executive, directors and executive

	Chief Executive		Directors	
	2018	2017	2018	2017
Fees	-	-	-	-
No. of Persons	1	1	2	2

25.1 The Chief Executive is also a Director.

26 Date of Authorization for Issue

These financial statements were authorized for issue on _____ by the Board of Directors of the Modaraba Management Company.

27 General

27.1 Figures of pervious year have been rearranged wherever necessary for the purpose of comparison.

27.2 Figures have been rounded off to the nearest rupees.

Asad Ahmad
Chief Executive

Marium Ahmad
Director

Ahmed Khizer Khan
Director

Mohammad Zameer
Chief Financial Officer



Pattern of Certificate Holding

As at June 30, 2018

Number of Certificate Holders	Certificate Holdings			Total Certificates Held
	From		To	
486	1	-	100	26,483
706	101	-	500	204,801
572	501	-	1,000	408,209
655	1,001	-	5,000	1,362,135
89	5,001	-	10,000	617,275
21	10,001	-	15,000	254,759
12	15,001	-	20,000	205,186
6	20,001	-	25,000	137,655
7	25,001	-	30,000	196,525
2	30,001	-	35,000	67,775
3	35,001	-	40,000	113,153
1	45,001	-	50,000	46,780
2	50,001	-	55,000	107,125
1	65,001	-	70,000	68,654
1	70,001	-	75,000	70,561
2	85,001	-	90,000	176,500
1	100,001	-	105,000	103,132
1	115,001	-	120,000	115,863
1	130,001	-	135,000	133,291
1	160,001	-	165,000	164,121
1	410,001	-	415,000	414,384
1	540,001	-	545,000	543,500
1	670,001	-	675,000	670,067
1	700,001	-	705,000	701,000
1	805,001	-	810,000	805,008
2	830,001	-	835,000	1,662,467
1	1,420,001	-	1,425,000	1,422,000
1	2,350,001	-	2,355,000	2,352,483
1	2,525,001	-	2,530,000	2,526,120
1	5,485,001	-	5,490,000	5,486,092
2,581				21,163,104



CATEGORIES OF CRTIFICATE HOLDERS

As at June 30, 2018

Categories of Certificate Holders	No. of Certificates Held	Percentage
Directors, Chief Executive Officer and Minor Children	3,310,367	15.64
Associated Companies, Undertakings and Related Parties	5,406,187	25.55
NIT & ICP	64,766	0.31
Banks, Development Finance Institutions, Non- Banking Financial Institutions and Mutual Funds	217,565	1.03
Investment, Modaraba and Leasing Company	145,144	0.69
Joint Stock Companies	17,333	0.08
General Public (Local)	11,939,509	56.42
Other Companies	62,233	0.29
	21,163,104	100.00