

ANNUAL REPORT
2017

First Tri-Star Modaraba



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



Board of Directors

Directors of Modaraba Company:

Asad Ahmad
Chairman/Chief Executive

Rashid Ahmad
Tahir Ahmad

Auditors:

M/s. Muniff Ziauddin & Co.
Chartered Accountants

Audit Committee:

Mr. Tahir Ahmad	Chairman
Mr. Rashid Ahmad	Member
Mr. Mohammad Zameer	Member

Bankers:

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

Registered Office:

F/498, S.I.T.E.,
Karachi-75700

Management Company:

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

Notice of Annual Review Meeting

Eighteenth Annual Review Meeting of the Certificate Holders of First Tri-Star Modaraba will be held on Tuesday, October 31, 2017 at 3:30 p.m. at F/538, S.I.T.E., Karachi.

The Certificate Transfer Books shall remain closed from October 21, 2017 to October 31, 2017 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 20, 2017 will be considered in time for the purpose of attendance of the Annual Review Meeting.

By Order of the Board

Chief Executive

Dated: October 10, 2017
Place: Karachi



Report of Directors of A.R.T. Modaraba Management (Pvt) Limited as on June 30, 2017

The Board of Directors of A.R.T. Modaraba Management (Pvt) Limited present the 27th Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30th June, 2017.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	Rupees 2017	Rupees 2016
Revenue	6,941,520	4,708,398
Administrative Expenses	(2,658,969)	(607,249)
Bank Charges	(104)	(232)
Other Income/ (Loss)	(436,003)	32,614
Profit Before Taxation	3,846,717	4,133,531
Modaraba Company's Management fee	(384,672)	-
Services sales tax on Managemet Company's fee	(50,007)	-
Profit before taxation	3,412,038	4,133,531
Taxation	(1,408,338)	-
Profit for the Year	<u>2,003,700</u>	<u>4,133,531</u>
Profit per Certificate	<u>0.095</u>	<u>0.195</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.

3. DIVIDEND

The Board in its meeting held on October 09, 2017 has not recommended any dividend this year.

4. BOARD OF DIRECTOR

The Board of Directors assumed their office with effect from 14th February, 2015 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. Rashid Ahmad	04
Mr. Tahir Ahmad	04
Mr. Asad Ahmad	04

- 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 09, 2017



Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of the First Tri Star Modaraba (the Modaraba) as at June 30, 2017 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 (here in after 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 [ART Modaraba Management Company (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 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 above said 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 Management Company in respect of First Tri Star Modaraba, 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, except for the matter disclosed in paragraph (a) below, we report that:

1. The Modaraba has an investment in the group company Tri Star Energy Limited (an unlisted associated company) amounting to Rs. 67.265 million (2016: Rs. 72.711 million). As per Clause 7(7) of the Prudential Regulations for Modarabas relating to investment in unlisted securities, the modarabas are not allowed to have investment exceeding 5% of its equity. However, the Modaraba has made violation of the above clause.
 - a. in our opinion, proper books of account have been kept by the Modaraba Management 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 the Modaraba Companies and Modaraba Rules, 1981;
 - b. in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with



the books of account and are further in accordance with the accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c. in our opinion, except for the matter referred in Para 1 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2017 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).

The financial statements of the Modaraba for the year ended June 30, 2016, were audited by another firm of Chartered Accountants, whose report dated January 16, 2017 expressed a qualified opinion thereon.

Karachi
Dated: October 09, 2017

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS
(Muhammad Moin Khan)



Statement of Compliance with Best Practices of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Pakistan Stock Exchange for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

1. The Company encourages representation of non-executive directors on its Board. At present the Board has 2 non-executive Director out of total of 3 Directors as follows:

Mr. Asad Ahmad	Chief Executive
Mr. Rashid Ahmad	Non Executive Director
Mr. Tahir Ahmad	Non Executive Director
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the 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 Modaraba, a DFI or NBFIs or being a member of stock exchange, or has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies alongwith 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/shareholders.
8. The meetings of the Board were presided over the Chairman and, in his absence, by the director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated
9. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of Corporate bodies. It has accordingly not been felt necessary to put them through any orientation course.
10. There was no new appointment of CFO/Secretary.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the code and fully described the salient matters required to be disclosed.



12. The financial statements of the Company 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 shares of the Fund other than that disclosed in the pattern of share holding.
14. The Company has complied with all the corporate and financial reporting requirement of the code.
15. The Board has formed an audit committee and it comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is not an independent director.
16. The meeting of the audit committee were held at least once every quarter prior for approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed, and advised to the committee for compliance.
17. The board has not formed an HR and Remuneration Committee as Modaraba has no employee.
18. The Board has setup an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review programs of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificate of the Modaraba 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation 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 exchange.
22. Material/price sensitive information, if any has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the code have been complied with.

On behalf of the Board

ASAD AHMAD
Chief Executive

Dated: October 09, 2017



Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2017, prepared by the Board of Directors of A.R.T. Modaraba Management (Private) Limited (the Modaraba Company) representing First Tri-Star Modaraba (the Modaraba) to comply with the relevant Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of the audit of 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 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 statements on internal control cover all controls and the effectiveness of such internal controls.

The Code 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 bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent approval of the party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out 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 best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2017.

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
1	As per the requirement of 5.19.1 (b) the board of directors of the company shall have at least one independent director; the board of the company has no independent director.
15	As per the requirement of 5.19.1 (b) the board of directors of every listed company shall establish an Audit Committee at least of three members comprising of non-executive directors and at least one independent director; the audit committee of the company comprises of only 2 members being non-executive directors.

Karachi
Dated: October 09, 2017

sd/-
Muniff Ziauddin & Co.
Chartered Accountants



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.

**Balance Sheet as at**

	Note	Rupees 2017	Rupees 2016
<u>CAPITAL AND RESERVES</u>			
Authorised			
40,000,000 Modaraba Certificate of Rs. 10/- each (2016: 40,000,000 Modaraba Certificate of Rs. 10/- each)		400,000,000	400,000,000
Issued, Subscribed and Paid-up	6	211,631,040	211,631,040
Reserves	7	31,280,446	30,053,000
Accumulated (Loss)		(36,406,025)	(37,182,279)
		206,505,461	204,501,761
Revaluation Gains/(Loss)		(6,990,630)	(8,168,109)
		199,514,831	196,333,652
<u>CURRENT LIABILITIES</u>			
Trade and other payables	8	11,130,092	19,600,972
Provision for taxation		1,408,338	-
		12,538,430	19,600,972
Contingencies and Commitments	9	-	-
		212,053,261	215,934,624

KARACHI: October 09, 2017



June 30, 2017

	Note	Rupees 2017	Rupees 2016
<u>ASSETS</u>			
<u>NON - CURRENT ASSETS</u>			
Property, Plant & Equipment	10	139,263,912	188,842
Capital Work-in-Progress		-	1,519,900
Long Term Deposits		21,000	21,000
Long Term Investment	9	67,276,478	72,720,333
Advance against Purchase of Property		-	132,900,000
<u>CURRENT ASSETS</u>			
Trade Debts, unsecured, considered good		-	4,708,399
Short Term Investments	12	3,548,680	3,346,217
Advances, Deposits	13	1,705,929	295,152
Other Receivables		96,249	96,249
Cash and Bank Balances	14	141,014	138,532
		5,491,871	8,584,549
		<u>212,053,261</u>	<u>215,934,624</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR



Profit & Loss Account

For the year ended June 30, 2017

	Note	Rupees 2017	Rupees 2016
Revenue	15	6,941,520	4,708,398
Administrative Expenses	16	(2,658,696)	(607,249)
Bank Charges		(104)	(232)
Other Income / (Loss)	17	(436,003)	32,614
Profit / (Loss) Before Taxation		3,846,717	4,133,531
Modaraba Company's Management fee		(384,672)	-
Services sales tax on Management Company's fee	18	(50,007)	-
Profit before taxation		3,412,038	4,133,531
Taxation	19	(1,408,338)	-
		<u>2,003,700</u>	<u>4,133,531</u>
Profit Per Certificate	20	<u>0.095</u>	<u>0.195</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR



Statement of Comprehensive Income

For the year ended June 30, 2017

	Rupees 2017	Rupees 2016
Profit for the Year	2,003,700	4,133,531
Other Comprehensive Income/(Loss)		
Items that may be reclassified to profit or loss in subsequent periods:		
- Change in Fair Value of available for sale investments	1,177,479	254,440
Total Comprehensive Income for the Year	<u>3,181,179</u>	<u>4,387,971</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR

KARACHI: October 09, 2017



Cash Flow Statement

For the year ended June 30, 2017

	Note	Rupees 2017	Rupees 2016
Cash Flow from Operating Activities			
Profit before Taxation		3,412,038	4,133,531
<i>Item not involving movement of cash:</i>			
Depreciation		1,201,930	21,510
Dividend Income		(50,170)	(32,614)
Loss/(Profit) on sale of Investment		631,294	-
		1,783,054	(11,104)
		5,195,092	4,122,427
Income Tax Paid		(1,410,777)	(4,796)
Operating Profit before working capital changes		3,784,316	4,117,631
Changes of Working Capital:			
(Increase)/Decrease in Current Assets		4,708,399	129,146,230
Increase/(Decrease) in Current Liabilities		(8,470,880)	(577,224)
		(3,762,481)	128,569,006
Net Cash Flow from Operating Activities		21,835	132,686,637
Cash Flow from Investing Activities			
Dividend Income		50,170	32,614
Write off Capital Work-in-Progress		1,519,900	-
Capital Expenditure Incurred		(140,277,000)	-
Sale Proceeds of Investments		5,787,577	-
Advance against Purchase of Property		132,900,000	(132,900,000)
Net Cash flow from Investing Activities		(19,353)	(132,867,386)
Net Increase/(Decrease) in Cash & Cash			
Equivalents during the year		2,482	(180,749)
Cash & Cash Equivalent at the beginning of the year		138,532	319,281
Cash & Cash Equivalent at the end of the year		141,014	138,532

The annexed notes from 1 to 27 form an integral part of these financial statements.

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR



Statement of Changes in Equity

For the year ended June 30, 2017

Particulars	Certificate Capital	General Reserve	Statutory Reserve	measurement of investment classified as available for sale	Accumulated Profit/(Loss)	Total
	Rupees					
Balance as at June 30, 2015	211,631,040	10,000,000	20,053,000	(8,422,549)	(41,315,810)	191,945,681
Profit for the year	-	-	-	-	4,133,531	4,133,531
Other comprehensive income				254,440		254,440
Balance as at June 30, 2016	211,631,040	10,000,000	20,053,000	(8,168,109)	(37,182,279)	196,333,652
Profit for the year	-	-	-	-	2,003,700	2,003,700
Other comprehensive income	-	-	-	1,177,479	-	1,177,479
Transfer to statutory reserves			1,227,446	-	(1,227,446)	-
Balance as at June 30, 2017	211,631,040	10,000,000	21,280,446	(6,990,630)	(36,406,026)	199,514,831

The annexed notes from 1 to 27 form an integral part of these financial statements.

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR

Last Six Years Results at a Glance

	2017	2016	2015	2014	2013	2012
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.)	(12,116,209)	(15,297,388)	(19,685,359)	(17,802,652)	(16,373,079)	(24,206,067)
Fixed Assets-WDV (Rs.)	139,263,912	188,842	210,352	234,417	261,379	291,634
Investments at Cost (Rs.)	70,825,158	76,066,550	75,766,110	75,041,878	89,180,865	80,631,743
Current Assets (Rs.)	5,491,871	8,584,549	137,654,315	164,748,845	170,696,479	172,079,273
Current Liabilities (Rs.)	12,538,430	19,600,972	20,178,196	45,419,241	64,291,522	65,127,948
Income						
Gain/(Loss) on sale of investments	(631,294)	-	(374,220)	(1,635,414)	7,179	-
Dividend Income	50,170	32,614	30,723	81,872	30,406	30,993
Net Profit/(Loss) for the year	3,846,717	4,133,531	(3,161,029)	(2,147,992)	(716,495)	(621,554)
Accumulated Profit/(Loss)	(36,406,025)	(37,182,279)	(41,315,810)	(38,154,781)	(36,006,789)	(24,244,742)
Statistics & Ratios						
Operating Profit/(Loss) Ratio (%)	55.42	87.10	(823.10)	(38.26)	(2,006.33)	(2,004.57)
Net Profit/(Loss) Ratio (%)	0.44:1	0.44:1	6.82:1	3.63:1	2.66:1	2.64:1
Current Ratio						
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	0.095	0.195	(0.149)	(0.101)	(0.034)	(0.029)
Breakup value per Share (Rs.)	9.43	9.28	9.07	9.16	9.23	8.86
Net Assets (Rs in Million)	199,514	196,334	191,946	193,828	195,258	187,425
Net Asset Value Per Share (Rs.)	9.43	9.28	9.07	9.16	9.23	8.86
Cash Dividend (%)	-	-	-	-	-	-
Bonus Dividend (%)	-	-	-	-	-	-



Notes to the Accounts

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

First Tri-Star Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder 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 F/498, S.I.T.E., Karachi - 75700.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of relevant laws or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the relevant laws and the said directives take precedence.

The 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.

2.2 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 on accrual basis of accounting except for cash flow information.

2.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is the functional and presentational currency of the Modaraba. All information presented has been rounded off to the nearest Rupee.

3. NEW STANDARDS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

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

Title of Standard or Interpretation	Effective for accounting periods beginning on or after
IFRS 1 - First time adoption of International Financial Reporting Standards (Amendments)	January 01, 2018
IFRS 2 - Share-based Payment (Amendments)	January 01, 2018
IFRS 9 - Financial instruments (Amendments)	January 01, 2018
IFRS 12 - Disclosure of interest in other entities (Amendments)	January 01, 2017
IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRS 16 - Leases	January 01, 2019
IAS 7 - Statement of Cash Flows (Amendments)	January 01, 2017
IAS 12 - Income Taxes (Amendments)	January 01, 2017
IAS 28 - Investments in Associates and Joint Ventures (Amendments)	January 01, 2018
IAS 40 - Investment Property (Amendments)	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019

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

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2016.



Standard or Interpretation	Effective Date
IFRS 12 - Disclosure of Interests in Other Entities (Amendments)	January 1, 2016
IAS 16 - Property, Plant and Equipment (Amendments bringing bearer plants into the scope of IAS 16)	January 1, 2016
IAS 16 - Property, Plant and Equipment (Amendments regarding the clarification of acceptable methods of depreciation and amortisation)	January 1, 2016
IAS 38 - Intangible Assets (Amendments)	January 1, 2016

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the 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 recognised in the period in which the estimate is 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 estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Residual values and useful lives of property and equipment (note 5.1.2);
- Useful lives of intangible assets (note 5.2) and;
- Classification and valuation of investments (note 5.4)



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 PROPERTY AND EQUIPMENTS

5.1.1 Assets Leased out and Amortization

Leased assets are stated at cost less accumulated amortization. Amortization is charged to income applying the straight-line method whereby the depreciable values of assets are amortized over its lease period.

5.1.2 Assets in Own Use and Depreciation

Operating fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation on owned assets is charged to income applying the reducing balance method, as per rates mentioned in Note 8 to the financial statements. Depreciation is provided on the basis of utilization of economic benefits embodied in the assets. Asset's residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Repair and maintenance costs are charged to income during the period in which they are incurred. Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Subsequent costs are recognized as an asset, only when it is probable that future economic benefits associated with them will flow to the modaraba and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the year in which they are incurred.

5.2 INTANGIBLE ASSETS

Intangible assets are stated at cost less amortization. Cost of such assets are amortized on a straight line basis over a period of life.

Amortization additions is charged for full month in which an asset is acquired or capitalized, while no amortization is charged from the month in which an asset is disposed off.

5.3 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.

5.4 FINANCIAL INSTRUMENTS

5.4.1 Financial Assets

5.4.1.1 Classification

The management of the Modaraba determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial instruments: Recognition and Measurement', at the time of acquisition of financial assets and re-evaluates this classification on a regular



basis. The classification depends upon the purpose for which financial assets are acquired. The financial assets of the Modaraba have been classified in the following categories:

a) Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Held-to-Maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Modaraba having positive intent and ability to hold to maturity.

c) Financial Assets 'at Fair Value Through Profit or Loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

d) Available for Sale Financial Assets

Financial assets intended to be held for an 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 and (c) financial assets 'at fair value through profit or loss'.

5.4.1.2 Initial Recognition and Measurement

All financial assets are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the management commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the profit and loss account.

5.4.1.3 Subsequent Measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' and 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

b) Financial assets classified as 'loans and receivables' and 'held to maturity'



Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost.

5.4.1.4 Impairment

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty or default in payments, the debtor will not be able to pay all amounts due according to the original terms, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account.

5.4.2 Financial Liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

5.4.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been realised or transferred and the Modaraba has transferred substantially all risks and rewards of ownership

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

5.4.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

5.5 REVENUE RECOGNITION

- i) Dividend income is recognized when right to receive the same is established
- ii) Sales of goods are recognized on dispatch of goods to customers.

5.6 CASH AND CASH EQUIVALENT



For the purpose of the cash flow statements, cash and cash equivalents comprise of cash-in-hand and bank balances.

Cash flow statement cash and cash equivalents include cash and balances with banks in current and savings accounts, cash in hand.

5.7 TAXATION

The provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

5.8 IMPAIRMENT ON NON-FINANCIAL ASSETS

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

5.9 CREDITORS, ACCRUED AND OTHER LIABILITIES

Liabilities for trade creditors and other payables are carried at fair value of the consideration to be paid in future for goods received and services obtained whether billed to the modaraba or not.

5.10 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the reporting date. All exchange differences arising on translations are included in the profit and loss account currently.

5.11 EARNING 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.

	Note	Rupees 2017	Rupees 2016
6. Issued, Subscribed and Paid-up Certificate Capital			
11,900,000 Modaraba Certificates of Rs. 10/- each fully paid in cash		119,000,000	119,000,000
2,180,000 Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates		21,800,000	21,800,000
7,083,104 Modaraba Certificates of Rs. 10/- each 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	21,280,446	20,053,000
	<u>31,280,446</u>	<u>30,053,000</u>

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

8. Creditors, Accrued and Other Liabilities

Accrued Expenses	938,282	2,352,001
Trade Creditors	-	6,402,585
Management fee	384,672	-
Sales tax payable on Management fees	50,007	-
Other Liabilities	2,231,715	3,320,970
Unclaimed dividend	7,525,416	7,525,416
	<u>11,130,092</u>	<u>19,600,972</u>

9. Contingencies and commitments

There are no contingencies and commitments as on June 30, 2017 (2016: Nil)



10. Property & Equipment

2017							
Particulars	Aircondition & 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							
Gross carrying amount							
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
Accumulated Depreciation							
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	80,666	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	80,666	29,318	33,320	139,061,417	139,263,912
Rate	10%	20%	10%	10%	30%	10%	

10.1 During the year the Modaraba has acquired office space in a building for a total consideration of Rs. 140.230 million, however the title of the same has not yet been transferred in the name of the Modaraba.

2016						
Particulars	Aircondition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Total
-----Rupees-----						
As at June 30 2015						
Cost	119,700	412,250	935,650	379,419	170,700	2,017,719
Accumulated Depreciation	(49,018)	(409,219)	(836,063)	(343,224)	(169,843)	(1,807,367)
Net book amount	70,682	3,031	99,587	36,195	857	210,352
Year ended June 2016						
Gross carrying amount						
Balance July 01, 2015	119,700	412,250	935,650	379,419	170,700	2,017,719
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance June 30, 2016	119,700	412,250	935,650	379,419	170,700	2,017,719
Accumulated Depreciation						
Balance July 01, 2015	49,018	409,219	836,063	343,224	169,843	1,807,367
Depreciation charge for the year	7,068	606	9,959	3,620	257	21,510
Disposals	-	-	-	-	-	-
Balance June 30, 2016	56,086	409,825	846,022	346,844	170,100	1,828,877
Net book amount	63,614	2,425	89,629	32,576	600	188,842
As at June 30 2016						
Cost	119,700	412,250	935,650	379,419	170,700	2,017,719
Accumulated Depreciation	(56,086)	(409,825)	(846,022)	(346,844)	(170,100)	(1,828,877)
Net book amount	63,614	2,425	89,629	32,576	600	188,842
Rate	10%	20%	10%	10%	30%	

**11. Long Term Investments**

	Note	Rupees 2017	Rupees 2016
Available for Sale			
Shares and Certificates of listed companies & associated undertaking	11.1	11,478	9,333
Shares of unlisted subsidiary & associated undertaking	11.2	67,265,000	72,711,000
		67,276,478	72,720,333

11.1. Investments in Listed Companies

2017 No. of Shares/ Certificates	2016 No. of Shares/ Certificates	Name of Company	Rupees 2017		Rupees 2016	
			Cost	Fair Value	Cost	Fair Value
		<u>Associated Undertaking</u>				
		<u>Quoted</u>				
227	4,727	Tri-Star Polyester Ltd.	3,551	6,910	73,944	7,185
400	400	Tri-Star Power Ltd.	8,634	4,568	8,634	2,148
			12,185	11,478	82,578	9,333
		Less: Fair Value Adjustment	107		73,245	
		Fair Value	11,478		9,333	

11.2. Investments in Unlisted Companies

		Name of Company	Rupees 2017		Rupees 2016	
			Cost	Fair Value	Cost	Fair Value
		<u>Associated Undertaking</u>				
		<u>Unquoted</u>				
6,726,500	7,271,000	Tri-Star Energy Ltd.	67,265,000	67,265,000	72,711,000	72,711,000
		Less: Fair Value Adjustment	-		-	
		Fair Value	67,265,000		72,711,000	

12. Short Term Investments

2017 No. of Shares/ Certificates	2016 No. of Shares/ Certificates	Name of Company	Rupees 2017		Rupees 2016	
			Cost	Fair Value	Cost	Fair Value
		<u>Quoted</u>				
5	5	Innovative Investment Bank Limited	4,545	-	4,545	-
437	1,937	Orix Modaraba	7,305	10,195	32,381	48,425
70	70	First IBL Modaraba	1,860	308	1,860	196
362	362	Orix Leasing Pakistan Limited	9,938	14,571	9,938	17,894
132	12,132	Saudi Pak Leasing Limited	2,349	321	215,904	15,893
12	12	Bank AL Habib Limited	23	681	23	517
86	86	Soneri Bank Limited	315	1,262	315	1,223
28	28	Samba Bank Limited	500	200	500	214
		Business & Industries Insurance Company Limited	5,000	-	5,000	-
		Saritow Spinning Mills Ltd (Azam Tex)	12,375	7,821	12,375	4,357
100	100	Faisal Spinning Mills Limited	3,115	28,913	3,115	14,100
171	1,171	Sana Industries Limited	11,499	8,302	78,743	103,341
242	242	Nishat Chunian Limited	2,882	12,419	2,882	8,572
140	140	Nishat Mills Limited	3,533	22,215	3,533	15,106
		Jubilee Spinning & Weaving Mills Limited	2,004	777	2,004	541



2017 No. of Shares/ Certificates	2016 No. of Shares/ Certificates	Name of Company	Rupees 2017		Rupees 2016	
			Cost	Fair Value	Cost	Fair Value
301	4,801	Kohinoor Industries Ltd.	11,264	1,610	179,655	19,396
230	230	Mohammad Farooq Textile Mills Ltd.	7,743	918	7,743	623
-	13,166	Dewan Sugar Mills Limited	-	-	361,926	62,670
20	20	Hinopak Motors Limited	1,660	26,200	1,660	19,181
6,000	6,000	Engro Corporation Limited	246,032	1,955,460	246,032	1,997,820
100	100	Sanofi-Aventis (Aventis) Limited	16,064	177,666	16,064	54,000
259	259	Packages Limited	7,816	180,155	7,816	164,781
2,000	2,000	Cherat Cement Limited	83,600	357,560	83,600	239,140
613	613	Shell Pakistan Limited	1,280	352,702	1,280	177,899
1,000	1,000	Pakistan State Oil Company limited	415,215	387,350	415,215	375,460
264	2,264	Dewan Salman Fibre Ltd.	6,622	1,074	56,790	4,868
			866,556	3,548,680	1,752,915	3,346,217
		Less: Fair Value Adjustment	2,682,124		(1,593,302)	
		Fair Value	3,548,680		3,346,217	

Companies De-Listed / Trading Suspended

2017 No. of Shares/ Certificates	2016 No. of Shares/ Certificates	Name of Company	Rupees 2017		Rupees 2016	
			Cost	Fair Value	Cost	Fair Value
		<u>Quoted</u>				
400	400	Islamic Investment Bank Ltd.	2,757	-	2,757	-
102,350	102,350	Mohib Exports Ltd.	2,436,070	-	2,436,070	-
600	600	Mian Mohd. Sugar Mills Ltd.	6,000	-	6,000	-
17,671	17,671	Mohib Textile Mills Ltd.	897,530	-	897,530	-
10,000	10,000	Sunshine Cloth Ltd.	160,900	-	160,900	-
			3,503,257	-	3,503,257	-
		Less: Fair Value Adjustment	3,503,257		3,503,257	
		Fair Value	-		-	

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

13. Advance and Deposits

	Rupees 2017	Rupees 2016
Advance Income Tax	1,668,429	257,652
Security Deposit with CDC	37,500	37,500
	<u>1,705,929</u>	<u>295,152</u>

14. Cash and Bank Balances

	Rupees 2017	Rupees 2016
Cash in Hand	116,367	17,962
Bank Balances		
- Profit and loss account	7,631	6,105
- Current accounts	17,016	114,465
Bank Balances	<u>24,647</u>	<u>120,570</u>
	<u>141,014</u>	<u>138,532</u>

12.1 This carry profit rates ranging from 3% to 4% (2016: 3% to 4%)

	Note	Rupees 2017	Rupees 2016
15. Revenue			
Commission income		<u>6,941,520</u>	<u>4,708,398</u>
16. Administrative Expenses			
Insurance		-	91,200
Entertainment		110	-
Registrar Services		164,282	-
Postage and Telegram		-	22
Vehicle Up-Keep		32,977	71,910
General Expenses		77,465	-
Advertisement		7,175	6,300
Legal and Professional		-	17,250
Printing and Stationary		29,229	350
Telephone Expenses		9,737	16,680
Auditors' Remuneration	16.1	270,000	275,000
Travelling & conveyance		196,927	-
Fees and Subscription		665,589	107,027
Charity / donation		3,275	-
Depreciation		1,201,930	21,510
		<u>2,658,696</u>	<u>607,249</u>
16.1 Auditors' Remuneration			
Audit Fee		250,000	250,000
Out of Pocket		20,000	25,000
		<u>270,000</u>	<u>275,000</u>
17. Other Income / (Loss)			
Dividend Income	17.1	50,170	32,614
Morabaha Income		40,377	-
Markup Income		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>(436,003)</u>	<u>32,614</u>



	Note	Rupees 2017	Rupees 2016
17.1 Dividend Income			
Askari Bank		134	200
Bank Al Habib Ltd		42	42
Faisal Spinning Mills Ltd		-	500
First Elite Capital MODARABA		-	105
Din Textile Mills		500	-
First IBL Modaraba		25	14
Hinopak Motors		1,796	1,298
Nishat (Chunian) Ltd		605	363
Nishat Mills Ltd		700	630
Orix Leasing Pakistan		1,629	1,629
Orix Modaraba		6,586	-
Packages Limited		6,475	3,885
Sana Industries Ltd		4,099	9,368
Shell Pakistan Ltd		27,472	8,080
Soneri Bank Ltd		108	108
Standard Chartered		-	6,392
		<u>50,170</u>	<u>32,614</u>

18. Services Sales Tax on Management Company's Remuneration

Current year	<u>(50,007)</u>	<u>-</u>
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19. Taxation

Current year	839,254	-
Prior year	569,085	-
	<u>1,408,338</u>	<u>-</u>

This income is chargeable under Final Tax Regime (FTR). Therefore, no numerical tax reconciliation and deferred tax is calculated. Furthermore, the income of non-trading Modarabas is exempt from tax provided that not less than ninety percent of their profits for the year as reduced by the amount transferred to mandatory reserves are distributed to the certificate holders. However, provision for the tax for the year has been made in accordance with the Income Tax Ordinance 2001 as the Modaraba has not distributed 90% of its profit during the year.

20. Earning Per Certificate

Profit before Taxation	2,003,700	4,133,531
No. of Ordinary Certificates	21,163,104	21,163,104
Loss per certificate	0.095	0.195

21. Related Party Transaction

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

Transactions	Relationship	2017	2016
		-----Rupees-----	
Disposal of unlisted shares of Tri star Energy Ltd to Mariam Ahmed.	Key management personnel's relative	5,446,000	-
Management fee	Management company	384,672	-
Balance as at the year end			
Payable to Modaraba Management Company		384,672	-
Investment in Tri - Star Energy Limited	Associate undertaking	67,265,000	72,711,000
Investment in Tri - Star Polyester Limited	Associate undertaking	6,910	7,185
Investment in Tri-Star Power Limited	Associate undertaking	4,568	2,148



22. Financial Instrument And Related Disclosures

22.1 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

22.2 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:

	Rupees 2017	Rupees 2016
Trade debts	-	4,708,399
Advance and deposits	1,705,929	295,152
Bank balances	24,647	120,570
	<u>1,730,576</u>	<u>5,124,121</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.



22.3 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.

		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)		5,491,871	67,297,478	-	72,789,349
Financial liabilities					
Creditors, accrued and other liabilities	(b)	11,130,092	-	-	11,130,092
On-balance sheet gap	(a-b)	(5,638,221)	67,297,478	-	61,659,257

		2016			
		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		-	72,720,333	-	72,720,333
Trade -debts, unsecured, considered good		4,708,399	-	-	4,708,399
Short term investments		3,346,217	-	-	3,346,217
Advance and deposits		295,152	-	-	295,152
Other receivables		96,249	-	-	96,249
Cash and bank balances		138,532	-	-	138,532
(a)		8,584,549	72,741,333	-	81,325,882
Financial liabilities					
Creditors, accrued and other liabilities	(b)	19,600,972	-	-	19,600,972
On-balance sheet gap	(a-b)	(11,016,423)	72,741,333	-	61,724,910

**22.4 Liquidity 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.

22.5 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.

22.6 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.

22.7 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.

23. Fair Value of Financial Instruments

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

	Rupees 2017	Rupees 2016
Loans and receivables		
Cash and bank balances	141,014	138,532
Other receivables	96,249	96,249
Advance and deposits	1,705,929	295,152
Long term deposit	21,000	21,000
Available-for-sale financial assets		
Investments	70,825,158	76,066,550
(a)	<u>72,789,349</u>	<u>76,617,483</u>
Financial liabilities		
Other financial liability		
Creditors, accrued and other liabilities	(b) <u>11,130,092</u>	<u>19,600,972</u>
(a-b)	<u>61,659,257</u>	<u>57,016,511</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. Remuneration of chief executive, directors and executive

	Chief Executive		Directors	
	2017	2016	2017	2016
Fee	-	-	-	-
Number of persons	1	1	2	2

24.1 The Chief Executive is also a Director

25. Date of Authorization for Issue

These accounts were authorised for issue on October 9, 2017 by the Board of Directors of Modaraba Management Company.

26. General

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

26.2 *Figures have been rounded off to the nearest rupees.*

ASAD AHMAD
CHIEF EXECUTIVE

RASHID AHMAD
DIRECTOR

TAHIR AHMAD
DIRECTOR



Pattern of Certificate Holdings

As at June 30, 2017

Number of Certificate Holders	Certificate Holdings			Total Certificates Held
474	1	—	100	25,937
710	101	—	500	206,700
582	501	—	1,000	417,793
664	1,001	—	5,000	1,388,132
93	5,001	—	10,000	644,936
20	10,001	—	15,000	243,119
12	15,001	—	20,000	205,552
6	20,001	—	25,000	136,024
7	25,001	—	30,000	196,525
1	30,001	—	35,000	33,275
2	35,001	—	40,000	75,500
1	40,001	—	45,000	44,318
1	45,001	—	50,000	46,780
1	50,001	—	55,000	53,625
1	65,001	—	70,000	68,654
1	80,001	—	85,000	82,386
2	85,001	—	90,000	176,500
1	100,001	—	105,000	103,132
2	130,001	—	135,000	266,974
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
2,593				21,163,104



Categories of Certificate Holders	Certificates Held	Percentage
1. Individuals	15,208,376	71.850
2. Investment Companies	75,191	0.360
3. Joint Stock Companies	5,423,520	25.630
4. Financial Institutions	145,594	0.690
6. Mutual Funds	247,815	1.170
7. Other Companies	62,608	0.300
Total	21,163,104	100.00

	Certificates Held	Percentage
<u>Associated Companies</u>		
Tri-Star Mutual Fund Ltd.	570,067	3.166
Prestige Enterprises (Pvt) Ltd.	1,422,000	6.719
A.R.T. Modaraba Management (Pvt) Ltd.	2,526,120	11.936
Tri-Star Industries (Pvt) Ltd.	87,000	0.411
Tri-Star Power Ltd.	701,000	3.312
	5,406,187	25.544
<u>Directors and CEO</u>		
Mr. Rashid Ahmad	830,027	3.92
Mr. Tahir Ahmad	805,008	3.80
Mr. Asad Ahmad	2,766,867	13.07
	4,401,902	20.80