

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 27<sup>th</sup> Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30<sup>th</sup> 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 14<sup>th</sup> 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 NBF1 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
<b><u>CAPITAL AND RESERVES</u></b>			
<b>Authorised</b>			
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
<b><u>CURRENT LIABILITIES</u></b>			
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
<b>ASSETS</b>			
<b><u>NON - CURRENT ASSETS</u></b>			
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
<b><u>CURRENT ASSETS</u></b>			
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		<u>3,846,717</u>	<u>4,133,531</u>
Modaraba Company's Management fee		(384,672)	-
Services sales tax on Management Company's fee	18	(50,007)	-
Profit before taxation		<u>3,412,038</u>	<u>4,133,531</u>
Taxation	19	(1,408,338)	-
		<u><u>2,003,700</u></u>	<u><u>4,133,531</u></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
<b>Cash Flow from Operating Activities</b>			
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
<b>Changes of Working Capital:</b>			
(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
<b>Cash Flow from Investing Activities</b>			
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
<b>Cash &amp; Cash Equivalent at the end of the year</b>		<b>141,014</b>	<b>138,532</b>

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
<b>Financial Position</b>						
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
<b>Income</b>						
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)
<b>Statistics &amp; Ratios</b>						
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'



