

Annual Report
2019

First Tri-Star Modaraba



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

Vision Statement

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

Mission Statement

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

Core Value

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

Statement of Ethics and Business Practices

The articulation of this statement is based on following points:

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



Board of Directors

Directors of Modaraba Company:

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

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

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

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

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

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

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



Notice of Annual Review Meeting

Twentieth Annual Review Meeting of the Certificate Holders of First Tri-Star Modaraba will be held on Monday, October 28, 2019 at 9.30 am at F/538, S.I.T.E., Karachi.

The Certificate Transfer Books shall remain closed from October 21, 2019 to October 28, 2019 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 18, 2019 will be considered in time for the purpose of attendance of the Annual Review Meeting.

By Order of the Board

Chief Executive

Dated: October 4, 2019
Place: Karachi



Report of Directors of A.R.T. Modaraba Management (Pvt) Limited as on June 30, 2019

The Board of Directors of A.R.T. Modaraba Management (Pvt) Limited present the 29th Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30th June, 2019.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	2019	2018
	-----Rupees-----	
Revenue	19,943,250	18,000,000
Administrative expenses	(40,373,864)	(15,710,805)
	(20,430,614)	2,289,195
Other income	17,580	30,887
Financial Charges	(11,561)	(550)
	(20,424,594)	2,319,532
Profit before taxation	(20,424,594)	2,319,532
Taxation	-	-
Profit for the year	(20,424,594)	2,319,532
(Loss)/Earnings per certificate	(0.97)	0.11

2. BUSINESS

As reported in last annual report that your Modaraba has established an A-Level college under the name of **Imperial Tutorial College** (ITC), adopting a unique teaching model - the tutorial method of teaching aiming to defeat the tuition epidemic our society is currently faced. ITC is Pakistan's first tutorial college - i.e. providing teaching and learning in very small groups (called tutorials) of no more than 8 students per class. The college at present is in an infancy stage, however, the Business model is unique and we expect to perform well in the next couple of years.

In addition to above, ITC has also started conducting Diploma and various short courses to cover the fixed cost of operations of ITC.



3. DIVIDEND

The Board of Directors have not recommended a cash dividend for the year ended 30.6.2019.

4. BOARD OF DIRECTOR

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

5. AUDITORS

The present auditors M/s. Muniff Ziauddin & Co., Chartered Accountants, are due for retirement and being eligible offer themselves for reappointment for the year ending June 30, 2019. 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 its state of affairs, the results of its 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:-



Name of Director

No. of Meetings attended

Mr. Asad Ahmad
Ms. Marium Ahmad
Mr. Ahmed Khizer Khan

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- 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 4, 2019



INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Tri-Star Modaraba (the Modaraba) as at June 30, 2019 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

1. the Modaraba has an investment in the group company Tri Star Energy Limited (an unlisted associated company) amounting to Rs. 40.586 million (2018: Rs. 64.595 million) in contravention to Clause 7(7) of the Prudential Regulations for Modaraba relating to investment in unlisted securities whereof the Modaraba are not allowed to have investment exceeding 5% of its equity;.
2. As disclosed in note 14.3, the Modaraba has sold the shares of Tri-Star Energy Limited at par value. However, due to various reasons including those as explained by the management on this regard we are unable to determine arm length price of these shares as well as the fact that the shares of Tri Star Energy Limited are measured at cost instead of fair value.
3. As disclosed in note 10, the amount of income tax payable Rs. 1.878 million has not been subsequently paid to the tax authorities.

a) In our opinion, proper books of account have been kept by the Modaraba Company in respect of First Tri-star Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980), and Modaraba Companies and Modaraba Rules, 1981;

b) In our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and except for as mentioned in paragraph 2 above, are further in agreement with accounting policies consistently applied;



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

iii) except for as mentioned in paragraph 1 above, the business conducted, investment made, and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

c) in our opinion, except for the matters referred in Para 1 to 3 above, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan and, give the information required by the Modaraba companies and the Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and the Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2019 and of the loss, its cash flows and changes in equity for the year then ended; and

d) In our opinion, Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) but the same was not paid to the Central Zakat Fund; the payable amount is disclosed in note 10 to the financial statements.

KARACHI: October 4, 2019

Sd/-
MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS
(SOHAIL SALEEM)



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

Name of Company: First Tri-Star Modaraba

Year ended: June 30, 2019

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

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

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

2. The Composition of board is as follows:

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

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



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

Audit Committee:

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

The board has not formed an HR and Remuneration Committee.

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

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

a) Audit Committee 4 Quarterly meetings

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

Karachi: October 04th, 2019

Asad Ahmad
Chief Executive



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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of ART MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED, the Management Company of FIRST TRI - STAR MODARABA (the Modaraba) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, the Modaraba's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirement of the Regulations were observed which are not stated in the Statement of Compliance:

Note Reference	Description
12	As per the requirement of Para 28 (1) (a) of the Regulations the board of directors of every listed company shall establish an Audit Committee of at least three members comprising of non-executive directors and at least one independent director; the audit committee of the Management Company comprises of three members out of which one is an executive director. Furthermore, the Chairman of the audit committee is also the Chairman of the Board of Directors.

Based on our review, except for the above instances of non-compliances, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the Regulations as applicable to the Modaraba for the year ended June 30, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the note reference where it is stated in the Statement of Compliance:

12	The board has not formed an HR and Remuneration Committee.
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KARACHI: October 04th, 2019

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



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

نحمده و نصلى على رسوله الكريم

Shariah Advisor's Report

For the period ended June 30, 2019

We have conducted the Shariah review of First Tri-Star Modaraba for the financial year ended **June 30, 2019** in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas. Based on our review, we report the following:

REVIEW OF OPERATIONS:

The followings were the major activities / developments in respect of Shariah that took place during this period:

BANK ACCOUNTS:

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

EQUITY SHARES:

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

NON-SHARIAH COMPLIANT SHARES:

S.No	Name of Shares	Fair Value in Rs.
1	Bank Al Habib Ltd.	941/-
2	Soneri Bank Ltd.	882/-
3	Samba Bank Ltd.	154/-
4	Nishat Chunian Ltd.	8,475/-
5	Pakistan State Oil Company Ltd	169,630/-
6	Sarito Spinning Mills Ltd.	3,812/-
7	ORIX Leasing Pakistan Ltd	10,681/-
8	Saudi Pak Leasing Ltd	2,349/- (cost)



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DIVIDEND PURIFICATION:

- a) Dividend of those companies/banks whose nature of business is non Shariah compliant, should be paid into charity account. Therefore we recommend that the dividend of the following companies/banks should be paid into charity:

S.No	Name of Institutions	Charitable Amount
1	Bank Al Habib Ltd.	30/-
2	Soneri Bank Ltd.	86/-
3	Orix Leasing Pakistan Ltd	923/-
Total		Rs. 1,039/-

- b) Dividend of those companies whose nature of business is Shariah compliant but due to non-compliance with other screening criterias they are non-compliant. Their whole dividend will not be paid into charity. Their interest based portion would be paid into charity. The details are as below:

S.No	Name of Institutions	Charitable Amount
1	Nishat Chunian Ltd.	1,331/-
2	Hino Pak Motors	10/-
3	Nishat Mills Ltd	13/-
4	Packages Ltd.	30/-
5	Shell Pakistan Ltd.	18/-
Total		Rs. 1,402/-

MARKETING AND ADVERTISING MATERIAL:

We also reviewed the Marketing & Advertising material of First Tri-Star Modaraba. During review, we found some material non-compliant with respect to Shariah. We recommend management to modify the said material to make it compliant with Shariah.

EDUCATIONAL INSTITUTION:

Modaraba started an A-Level collage under the name of Imperial Tutorial College during the period. According to Shariah those courses can only be taught which are not against



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Shariah rules and principles. We observed that the college offered some courses which are not in accordance with Shariah.

RECOMMENDATIONS:

- 1) Modaraba should dispose-off, as early as possible, non Shariah Compliant shares as mentioned in the list of Non- Shariah Compliant Shares.
- 2) HBL PLS account should be processed for its closure, and the interest amount received by Modaraba on this account should be paid into charity. However Modaraba may open bank account(s) in any Islamic Bank or Islamic windows of commercial banks.
- 3) Modaraba should pay the whole charitable amount into charity, as mentioned above under the details of "Dividend Purification".
- 4) It is highly recommended that Modaraba should take prior approval of its Shariah Advisor before execution of every financing transaction and any type of agreement.
- 5) Non Shariah Courses should immediately be discontinued. It is also advised that Modaraba should take prior approval of Shariah Advisor before launching any business activity/new course.

CONCLUSION:

Generally, the Management of First Tri-Star Modaraba has shown its sincerity to comply with Shariah Rulings; therefore, we are of the view that the business operations of First Tri-Star Modaraba are Shariah Compliant.

MUFTI UBAID UR RAHMAN ZUBAIRI

For and on behalf of
Alhamd Shariah Advisory Services Private Limited
Date: October 04, 2019





Balance Sheet as at

	Note	Restated		
		2019	2018	2017
		-----Rupees-----		
			Restated	Restated
CAPITAL AND RESERVES				
Authorised Capital 40,000,000 (2018: 40,000,000) Modaraba Certificates of Rs. 10 each		400,000,000	400,000,000	400,000,000
Issued, subscribed and paid-up certificate capital	6	211,631,040	211,631,040	211,631,040
Reserves	7	(31,515,489)	(8,974,584)	(11,294,116)
Certificate holders' equity		180,115,551	202,656,456	200,336,924
Deficit on revaluation of investments	8	(2,208,110)	(1,430,251)	(822,093)
Security deposits	9	105,000	-	-
CURRENT LIABILITIES				
Creditors, accrued and other liabilities	10	8,946,282	3,829,571	3,604,676
Unclaimed dividend		6,134,956	7,525,416	7,525,416
Provision for taxation		-	-	1,408,338
Total current liabilities		15,081,238	11,354,987	12,538,430
Contingencies and commitments	11			
TOTAL LIABILITIES AND EQUITY		193,093,679	212,581,192	212,053,261



June 30, 2019

		2019	Restated 2018	2017
	Note	-----Rupees-----		
NON-CURRENT ASSETS				
Fixed assets - tangible	12	59,977,862	1,321,950	139,263,912
Investment property	13	56,319,874	125,155,275	-
Long term deposit		58,500	58,500	58,500
Long term investments	14	40,591,419	64,595,418	67,276,478
Total non-current assets		156,947,655	191,131,143	206,598,890
CURRENT ASSETS				
Short term investments	15	2,168,722	2,941,582	3,548,680
Due from associated undertakings	16	27,000,000	18,000,000	-
Advance and deposits	17	454,412	264,721	1,668,429
Other receivables		13,061	13,061	96,249
Cash and bank balances	18	6,509,830	230,685	141,014
Total current assets		36,146,024	21,450,049	5,454,371
TOTAL ASSETS		193,093,679	212,581,192	212,053,261

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

Chief Executive

Director

Director

Chief Financial Officer



**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 -----Rupees-----	2018
Revenue	19	19,943,250	18,000,000
Administrative expenses	20	(40,373,864)	(15,710,805)
		(20,430,614)	2,289,195
Other income	21	17,580	30,887
Financial charges		(11,561)	(550)
(Loss) / profit before taxation		(20,424,594)	2,319,532
Taxation	22	-	-
(Loss) / profit for the year		(20,424,594)	2,319,532
(Loss) / earnings per certificate	23	(0.97)	0.11

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

Chief Executive

Director

Director

Chief Financial Officer



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(20,424,594)	2,319,532
Add/(Less): Item not involving movement of cash:		
Depreciation	12,930,660	14,060,645
Dividend income	(16,832)	(30,743)
	12,913,828	14,029,902
	(7,510,767)	16,349,434
Changes of Working Capital:		
(Increase) Decrease in current assets	(9,000,000)	(17,916,812)
Increase (Decrease) in current liabilities	3,726,251	224,895
	(5,273,749)	(17,691,917)
Income tax paid	(189,690)	(4,632)
Net cash generated from operating activities	(12,974,206)	(1,347,114)
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend income	16,832	30,743
Capital Expenditure Incurred	(2,751,171)	(1,273,958)
Sale proceeds of investments	23,999,000	2,680,000
Net cash inflow from investing activities	21,264,661	1,436,785
CASH FLOW FROM FINANCING ACTIVITIES		
Final cash dividend paid	(2,116,310)	-
Long term deposits	105,000	-
Net cash outflow from financing activities	(2,011,310)	-
Net increase in cash & cash equivalents during the year	6,279,144	89,671
Cash & cash Equivalent at the beginning of the year	230,685	141,014
Cash & cash Equivalent at the end of the year	6,509,830	230,685

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

Chief Executive

Director

Director

Chief Financial Officer



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
	----- Rupees -----	
(Loss) / profit for the year	(20,424,594)	2,319,532
Components of other comprehensive income reflected below equity		
<i>Items that will not be reclassified subsequently to profit and loss account</i>		
Deficit on revaluation of investments classified as 'at fair value through other comprehensive income' - net	(777,859)	-
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Unrealized gain during the year on re-measurement of investment classified as available for sale	-	(608,158)
Total comprehensive (loss) / income for the year	<u>(21,202,453)</u>	<u>1,711,374</u>

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

Chief Executive

Director

Director

Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Certificate Capital	Capital Reserve Statutory Reserve	Revenue Reserve General Reserve	Accumulated Loss	Total
	-----Rupees-----				
Balance at June 30, 2017 - as previously	211,631,040	21,280,446	10,000,000	(36,406,025)	206,505,461
Correction of error - note 5.21	-	-	-	(6,168,537)	(6,168,537)
Balance as at June 30, 2017	211,631,040	21,280,446	10,000,000	(42,574,562)	200,336,924
Profit for the year	-	-	-	2,319,532	2,319,532
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,319,532	2,319,532
Transfer to statutory reserves	-	463,907	-	(463,907)	-
Balance as at June 30, 2018	211,631,040	21,744,353	10,000,000	(40,718,937)	202,656,456
Loss for the year	-	-	-	(20,424,594)	(20,424,594)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(20,424,594)	(20,424,594)
Transfer to statutory reserves	-	-	-	-	-
Transactions with owners:					
Final dividend for the year ended June 30, 2018	-	-	-	(2,116,310)	(2,116,310)
Balance as at June 30, 2019	211,631,040	21,744,353	10,000,000	(63,259,842)	180,115,551

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

Chief Executive

Director

Director

Chief Financial Officer



Last Six Years Results at a Glance

	2019	2018	2017	2016	2015	2014
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.)	(25,346,952)	(2,806,047)	(5,125,579)	(7,129,279)	(19,685,359)	(17,802,652)
Fixed Assets-WDV (Rs.)	116,297,736	126,477,225	139,263,912	188,842	210,352	234,417
Investments at Cost (Rs.)	42,760,141	70,825,158	70,825,158	76,066,550	75,766,110	75,041,878
Current Assets (Rs.)	36,183,524	21,487,549	5,491,871	8,584,549	137,654,315	164,748,845
Current Liabilities (Rs.)	15,186,238	11,354,987	12,538,430	19,600,972	20,178,196	45,419,241
Income						
Gain/(Loss) on sale of investments	-	-	(631,294)	-	(374,220)	(1,635,414)
Dividend Income	16,832	30,743	50,170	32,614	30,723	81,872
Net Profit/(Loss) for the year	(20,424,594)	2,319,532	2,003,700	4,133,531	(3,161,029)	(2,147,992)
Accumulated Profit/(Loss)	(57,091,305)	(34,550,400)	(36,406,025)	(37,182,279)	(41,315,810)	(38,154,781)
Statistics & Ratios						
Operating Profit/(Loss)						
Ratio (%)	(83.56)	12.89	55.42	87.10	(823.10)	(38.26)
Net Profit/(Loss) Ratio (%)	(0.84):1	0.13:1	0.29:1	0.44:1	6.82:1	3.63:1
Current Ratio						
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	(0.965)	0.110	0.095	0.195	(0.149)	(0.101)
Breakup value per Share (Rs.)	8.80	9.87	9.76	9.66	9.07	9.16
Net Assets (Rs in Million)	186.284	208.825	206.505	204.502	191.946	193.828
Net Asset Value Per Share (Rs.)	8.80	9.87	9.76	9.66	9.07	9.16
Cash Dividend (%)	-	1%	-	-	-	-
Bonus Dividend (%)	-	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND NATURE OF THE BUSINESS

First Tri-Star Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by A.R.T. Modaraba Management (Private) Ltd. It is a perpetual, multipurpose and multidimensional Modaraba. The Modaraba is listed on Pakistan Stock Exchange Limited. The registered office of the Modaraba is situated at A/33, Central Commercial Area, Block 7/8, KCHSU, Karachi.

The Modaraba is engaged in the following activities:

- i) Renting out its space in a commercial building.
- ii) Running an educational institution.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

Provisions of and directions issued under the Companies Act 2017;

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

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

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

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of IFRS - 9 "Financial Instruments", wherever applicable.

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

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



2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

Standard, Interpretation Or Amendment		Effective date (accounting periods beginning on or after)
Uncertainty over Income Tax Treatments	IFRIC 23	January 1, 2019
Financial instruments (amendments)	IFRS 9	January 1, 2019
Investments in Associates and Joint Ventures (amendments)	IAS 28	January 1, 2019
Employee Benefits (amendments)	IAS 19	January 1, 2019
Business Combinations (Amendments)	IFRS 3	January 1, 2020
Leases	IFRS 16	January 1, 2019
Presentation of Financial Statements (Amendments)	IAS 1	January 1, 2020
Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	IAS 8	January 1, 2020
Annual Improvements to IFRS Standards 2015–2017:		
Business Combinations	IFRS 3	January 1, 2019
Joint Arrangement	IFRS 11	January 1, 2019
Income Taxes	IAS 12	January 1, 2019
Borrowing Costs	IAS 23	January 1, 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application other than IFRS 16 'Leases' for which the Company is currently evaluating the potential impact on its financial statements.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.



Standard, Interpretation Or Amendment		IASB Effective date (annual periods beginning on or after)
Regulatory Deferral Accounts	IFRS 14	January 1, 2016
Insurance Contracts	IFRS 17	January 1, 2021

3.2 New / Revised Standards, Interpretations and Amendments

The Modaraba has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contract with customers (Amendments)
- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based
- IFRS 4 - Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4
- IAS 40 - Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements except as described in note 3.3

3.3 IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Modaraba has applied IFRS 9, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

Upon adoption of IFRS 9, the Modaraba has not restated comparative information.

(A) Changes to Classification and measurement of financial assets

The IFRS 9 has replaced current categories of financial assets (Held For Trading (HFT), Available For Sale (AFS) and held-to-maturity) by the following classifications of financial assets:

- 1) Debt instruments at amortised cost
- 2) Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI), with gains or losses recycled to profit and loss account on derecognition
- 3) Equity instruments at FVOCI, with no recycling of gains or losses to profit and loss account on derecognition
- 4) Financial assets at Fair Value through Profit or Loss



The accounting for financial liabilities remains largely the same as it was under IAS 39.

Under IFRS 9, the classification is based on two criteria, a) the entity's business model for managing the assets; and b) whether the instruments' contractual cashflows represent 'solely payments of principal and profit' on the principal amount outstanding. The assessment of the Modaraba's business model was made as at the date of initial application i.e. July 01, 2018, and then applied retrospectively to those financial assets that were not derecognised before July 01, 2018.

As a result of the above assessment, the management has concluded that all the investments in shares of listed companies previously classified as 'Available for Sale' will be re-classified as 'at Fair Value through Other Comprehensive Income' in accordance with the objectives of the Modaraba.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9:

	As at June 30, 2018	Impact of adoption of IFRS 9	As at July 01, 2018
Impact on Balance Sheet			
Investments - 'Available for sale'	67,537,000	(67,537,000)	-
Investments - 'At fair value through OCI'	-	67,537,000	67,537,000

(B) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, NBFIs & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain those as framed under Modaraba Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.



4 USE OF ESTIMATES AND JUDGMENTS

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

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	Note
- Useful lives of depreciable assets	5.1
- Provision for income taxes	5.80
- Provision against Ijarah and Musharaka receivables	5.6
- Impairment of non financial assets	5.16

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 Fixed assets - tangible

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

5.1.1 Assets in own use and depreciation

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

Depreciation is charged to income applying the reducing balance method whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 10.

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

The assets residual value and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.



5.2 Capital work in progress

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

5.3 Trade Debts, loans, deposits, interest accrued and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.4 Financial instruments - New accounting policies effective for the period beginning on July 01, 2018

In the current period, the Modaraba has adopted IFRS 9 Financial Instruments. See note 3.3 for an explanation of the impact. Comparative figures for the year ended June 30, 2018 have not been restated as allowed by IFRS 9. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39.

Initial recognition and measurement

Financial assets and liabilities, with the exception of bank balances, loans and advances to employees / counter parties and due to counterparties, are initially recognised on the trade date, i.e., the date that the Modaraba becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Bank balances and loans and advances to employees / counter parties are recognised when funds are transferred to the banks / employees / counterparties. The Modaraba recognises due to counterparties when funds reach the Modaraba.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Modarabas business model for managing them.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The Modaraba includes in this category short-term non-financing receivables, accrued income and other receivables.



Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets measured at fair value through OCI

Debt instrument

The Modaraba measures debt instruments at fair value through OCI if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit and loss account and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit and loss account.

Equity instrument

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 - 'Financial Instruments: Presentation and are not held for trading'. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit and loss account. Dividends are recognised as other income in the statement of profit and loss account when the right of payment has been established, except when the Modaraba benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment



Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Modaraba includes in this category short-term payables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Modaraba has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Modaraba has:

- (a) transferred substantially all of the risks and rewards of the asset; or
- (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Modaraba has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Modaraba's continuing involvement in the asset. In that case, the Modaraba also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained. The Modaraba derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Off-setting of financial assets and liabilities

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet if the Modaraba has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.5 Stores and spares

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

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

5.6 Musharaka and Ijarah finance

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



5.7 Revenue recognition

Revenue from sale of goods is recognized when control of goods is transferred to customers.

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

Rental income from investment property is recognized on a straight line basis over the term of the lease.

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

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

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

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

5.8 Taxation

5.8.1 Current

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

5.8.2 Deferred

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

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

5.9 Borrowings and their costs

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

5.10 Provisions

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



5.11 Cash and cash equivalents

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

5.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

5.13 Foreign currency translation

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

5.14 Transactions with related parties

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

5.15 Profit distribution to certificates holders

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

5.16 Impairment of assets

Financial assets

The modaraba recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost, except in the case of calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modaraba prevail.

the Modaraba measures loss allowances at an amount equal to life time ECLs, except for other securities and bank balances which are measure at 12 months expected credit losses. Since this assets are short term in nature, therefore, no credit loss is expected on these balances.

Non financial assets

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

5.17 Segment reporting

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

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organized into 'Income from property' and 'Educational institution' segments.

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

**5.18 Investment property**

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

5.19 Earnings per certificate

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

5.20 Trade date accounting

All 'regular way' purchases and sales of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchases or sales of quoted investments require delivery within two working days after the transaction date as per stock exchange regulations.

5.21 CORRECTION OF PRIOR PERIOD ERROR

Previously, the deficit of revaluation on investments was not cycled through the profit and loss on disposal of investments. As a consequence, the deficit of revaluation on investments had been overstated.

The errors have been corrected by restating each of the affected financial statements line items for the prior periods as follows:

Balance Sheet (extracts)

	Rupees		
	30/Jun/17	30/Jun/17	30/Jun/17
	Previously stated	Increase / (Decrease)	Restated
Deficit on revaluation of investments	(6,990,630)	6,168,537	(822,093)
Reserves			
Accumulated loss	(36,406,025)	(6,168,537)	(42,574,562)

Balance Sheet (extracts)

	Rupees		
	30/Jun/18	30/Jun/18	30/Jun/18
	Previously stated	Increase / (Decrease)	Restated
Deficit on revaluation of investments	(7,598,788)	6,168,537	(1,430,251)
Reserves			
Accumulated loss	(34,550,400)	(6,168,537)	(40,718,937)

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

2019	2018		2019	2018
No of shares			-----Rupees-----	
11,900,000	11,900,000	Modaraba Certificates of Rs. 10 each fully paid in cash.	119,000,000	119,000,000
2,180,000	2,180,000	Bonus certificates of Modaraba of Rs. 10 each issued as fully paid.	21,800,000	21,800,000
7,083,104	7,083,104	Modaraba Certificates of Rs.10 issued for acquisition	70,831,040	70,831,040
			<u>211,631,040</u>	<u>211,631,040</u>

7 Reserves**Capital reserves**

Statutory Reserve	7.1	21,744,353	21,744,353
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Revenue reserves

General Reserve		10,000,000	10,000,000
Accumulated loss		(63,259,842)	(40,718,937)
		(53,259,842)	(30,718,937)
		<u>(31,515,489)</u>	<u>(8,974,584)</u>

7.1 This represents profit set aside to comply with requirement of Prudential Regulations for Modarabas issued by SECP, which is not available for distribution.

8 Deficit on revaluation of investments

Market value of investments	42,760,141	67,537,000
Less: Cost of investments	<u>44,968,251</u>	<u>68,967,251</u>
	<u>(2,208,110)</u>	<u>(1,430,251)</u>
Deficit on revaluation at beginning of the year	(1,430,251)	(822,093)
Deficit arisen during the year	<u>(777,859)</u>	<u>(608,158)</u>
	<u>(2,208,110)</u>	<u>(1,430,251)</u>

9 Security deposits	9.1	<u>105,000</u>	<u>-</u>
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9.1 These represent deposits from students without any remuneration.

10 Creditors, accrued and other liabilities

Accrued expenses	3,618,311	1,160,194
Management fee	-	384,672
Sales tax payable on Management fees	50,007	50,007
Income tax payable	1,878,176	1,552,273
Zakat payable	3,399,788	679,150
Other liabilities	-	3,275
	<u>8,946,282</u>	<u>3,829,571</u>

11 Contingencies and commitments

There are no contingencies and commitments as on June 30, 2019 (2018 : Nil)



12 Fixed assets - tangible

2019								
Particulars	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Electric Installation	Building	Total
Rupees								
As at June 30 2018								
Cost	119,700	412,250	2,209,608	379,419	217,700	-	70,115,000	73,453,677
Accumulated Depreciation	(68,173)	(410,698)	(990,447)	(353,033)	(194,376)	-	(13,795,126)	(15,811,854)
<i>Net book amount</i>	<u>51,527</u>	<u>1,552</u>	<u>1,219,161</u>	<u>26,386</u>	<u>23,324</u>	<u>-</u>	<u>56,319,874</u>	<u>57,641,824</u>
Year ended June 2019								
<i>Gross carrying amount</i>								
Balance July 01, 2018	119,700	412,250	2,209,608	379,419	217,700	-	-	3,338,677
Transferred from investment property	-	-	-	-	-	-	70,115,000	70,115,000
Additions	-	-	2,206,671	163,300	15,000	366,200	-	2,751,171
Disposals	-	-	-	-	-	-	-	-
Balance June 30, 2019	<u>119,700</u>	<u>412,250</u>	<u>4,416,279</u>	<u>542,719</u>	<u>232,700</u>	<u>366,200</u>	<u>70,115,000</u>	<u>76,204,848</u>
<i>Accumulated Depreciation</i>								
Balance July 01, 2018	68,173	410,698	990,447	353,033	194,376	-	-	2,016,727
Transferred from investment property	-	-	-	-	-	-	7,537,363	7,537,363
Depreciation charge for the year	5,153	310	342,583	18,969	11,497	36,620	6,257,764	6,672,896
Disposals	-	-	-	-	-	-	-	-
Balance June 30, 2019	<u>73,326</u>	<u>411,008</u>	<u>1,333,030</u>	<u>372,002</u>	<u>205,873</u>	<u>36,620</u>	<u>13,795,126</u>	<u>16,226,986</u>
<i>Net book amount</i>	<u>46,374</u>	<u>1,242</u>	<u>3,083,249</u>	<u>170,717</u>	<u>26,827</u>	<u>329,580</u>	<u>56,319,874</u>	<u>59,977,862</u>
As at June 30 2019								
Cost	119,700	412,250	4,416,279	542,719	232,700	366,200	70,115,000	76,204,848
Accumulated Depreciation	(73,326)	(411,008)	(1,333,030)	(372,002)	(205,873)	(36,620)	(13,795,126)	(16,226,986)
<i>Net book amount</i>	<u>46,374</u>	<u>1,242</u>	<u>3,083,249</u>	<u>170,717</u>	<u>26,827</u>	<u>329,580</u>	<u>56,319,874</u>	<u>59,977,862</u>
Rate	<u>10%</u>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>10%</u>	<u>10%</u>	

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

**13 Investment property**

Particulars	Building Rupees
Year ended June 2018	
<i>Gross carrying amount</i>	
Balance July 01, 2018	140,230,000
Transferred to fixed assets - tangible	(70,115,000)
Additions	-
Disposals	-
Balance June 30, 2019	<u>70,115,000</u>
<i>Accumulated Depreciation</i>	
Balance July 01, 2018	15,074,725
Transferred to fixed assets - tangible	(7,537,363)
Additions	-
Depreciation charge for the year	6,257,764
Disposals	-
Balance June 30, 2019	<u>13,795,126</u>
<i>Net book amount</i>	<u>56,319,874</u>
As at June 30 2019	
Cost	70,115,000
Accumulated Depreciation	(13,795,126)
<i>Net book amount</i>	<u>56,319,874</u>
Rate	<u>10%</u>

- 13.1** The Modaraba acquired building for a total consideration of Rs. 140.230 million during the year ended June 30, 2016, however the title of the same was not transferred in the name of the Modaraba in view of the order passed by the Honorable Supreme Court of Pakistan imposing the condition of completion plan duly approved by the Sind Building Control Authority of registration of Sale Deed by the Sub-Registrar of Properties. The seller has already applied for approval of Completion Plan to the Sind Building Control Authority and the approval of same is awaited. As soon as Completion Plan is issued the Sale Deed will be registered before the concerned Sub-Registrar of Properties.
- 13.2** During the year ended June 30, 2019, a portion of the above building has been put to own use as the Modaraba as established an educational institution in the building, therefore the same has been transferred to the "Fixed assets - tangible".
- 13.3** The above building is situated on A/33, Central Commercial Area, Block 7/8, KCHSU, Karachi.



14 Long term investments	Note	2019	2018
		-----Rupees-----	
<i>At fair value through other comprehensive income (FVOCI)</i>			
Shares and certificates of listed companies & associated undertaking	14.1	5,419	10,418
Shares of unlisted associated companies	14.2	40,586,000	64,585,000
		<u>40,591,419</u>	<u>64,595,418</u>

14.1 Investments in listed companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2019		2018	
			Cost	Fair Value	Cost	Fair Value
2019	2018		Rupees	Rupees	Rupees	Rupees
476	476	Tri-Star Polyester Limited	5,821	4,379	5,821	7,906
400	400	Tri-Star Power Limited	8,634	1,040	8,634	2,512
			<u>14,455</u>	<u>5,419</u>	<u>14,455</u>	<u>10,418</u>
		Less: Fair Value Adjustment	<u>9,036</u>		<u>4,037</u>	
		Fair Value	<u>5,419</u>		<u>10,418</u>	

14.2 Investment of Unlisted companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2019	2018
			Cost	Cost
2019	2018		Rupees	Rupees
4,058,600	6,458,500	Tri-Star Energy Limited	40,586,000	64,585,000
(Percentage Holding)				
13%	21%			
		Less: Fair Value Adjustment		-

14.3 During the year, the Management has sold the 2,399,900 shares amounting to Rs. 23,999,000. The power project which Tri-Star Energy Limited was putting up is under litigation vide suit 312/1996 and is in evidence stage. As Tri-Star Energy Limited is a public unlisted Company and the Modaraba is unable to liquidate its investment made in Tri-Star Energy Limited in the open market, selling shares of Tri-Star Energy Limited at par value of Rs. 10/- would be considered an arm length value.

15 Short term investments

At fair value through other comprehensive income (FVOCI)

No. of Shares/Certificates		Name of Company	2019		2018	
			Cost	Fair Value	Cost	Fair Value
2019	2018		Rupees	Rupees	Rupees	Rupees
437	437	Orix Modaraba	7,305	6,774	7,305	7,259
70	70	First IBL Modaraba	1,860	175	1,860	306
		Orix Leasing Pakistan				
434	362	Limited	9,938	10,681	9,938	15,736
		Saudi Pak Leasing				
132	132	Limited	2,349	-	2,349	-
12	12	Bank AL Habib Limited	23	941	23	946
86	86	Soneri Bank Limited	315	882	315	1,115
28	28	Samba Bank Limited	500	154	500	214



No. of Shares/Certificates		Name of Company	2019		2018	
			Cost	Fair Value	Cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
851	851	Saritow Spinning Mills	12,375	3,812	12,375	6,765
		Faisal Spinning Mills				
100	100	Limited	3,115	23,750	3,115	30,000
171	171	Sana Industries Limited	11,499	7,350	11,499	6,498
242	242	Nishat Chunian Limited	2,882	8,475	2,882	11,490
140	140	Nishat Mills Limited	3,533	13,068	3,533	19,729
120	-	Din Textile Mills Ltd.	-	9,750	-	-
		Jubilee Spinning &				
127	127	Weaving Mills Limited	2,004	287	2,004	747
		Kohinoor Industries				
301	301	Limited	11,264	840	11,264	1,093
		Mohammad Farooq				
230	230	Textile Mills Ltd.	7,743	-	7,743	-
20	20	Hinopak Motors Limited	1,660	6,440	1,660	16,154
		Engro Corporation				
6,000	6,000	Limited	246,032	1,593,600	246,032	1,883,160
		Sanofi-Aventis (Aventis)				
100	100	Limited	16,064	60,500	16,064	107,000
259	259	Packages Limited	7,816	77,845	7,816	126,837
2,000	2,000	Cherat Cement Limited	83,600	61,920	83,600	194,460
613	613	Shell Pakistan Limited	1,280	111,848	1,280	193,763
		Pakistan State Oil				
1,000	1,000	Company limited	415,215	169,630	415,215	318,310
		Dewan Salman Fibre				
264	264	Limited	6,622	-	6,622	-
			854,994	2,168,722	854,994	2,941,582
		Fair Value Adjustment	1,313,728		2,086,588	
		Fair Value	2,168,722		2,941,582	

Companies delisted/Trading suspended

No. of Shares/Certificates		Name of Company	2019		2018	
			Cost	Fair Value	Cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
400	400	Islamic Investment Bank Limited	2,757	-	2,757	-
		Innovative Investment Bank				
5	5	Limited	4,545	-	4,545	-
102,350	102,350	Mohib Exports Limited	2,436,070	-	2,436,070	-
		Business & Industries insurance				
500	500	Company Limited	5,000	-	5,000	-
600	600	Mian Mohd. Sugar Mills Limited	6,000	-	6,000	-
17,671	17,671	Mohib Textile Mills Limited	897,530	-	897,530	-
10,000	10,000	Sunshine Cloth Limited	160,900	-	160,900	-
			3,512,802	-	3,512,802	-
			3,512,802		3,512,802	

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



	Note	2019	2018
		-----Rupees-----	
16 Due from associated undertakings			
Unsecured considered good			
Tri-Star Polyester Limited		9,000,000	9,000,000
Tri-Star Industries (Pvt.) Limited		18,000,000	9,000,000
		<u>27,000,000</u>	<u>18,000,000</u>
16.1 These represents amounts receivable in respect of rental property.			
17 Advance and Deposits			
Advance income tax		454,412	264,721
		<u>454,412</u>	<u>264,721</u>
18 Cash and Bank Balances			
Cash on hand		1,268,019	172,703
Bank balances			
- Saving account	18.1	8,434	7,761
- Current account		5,233,376	50,220
		<u>5,241,810</u>	<u>57,982</u>
		<u>6,509,830</u>	<u>230,685</u>
18.1 This carries profit at rates ranging from 4% to 6% (2018: 3% to 4%).			
19 Revenue			
Rental income		18,000,000	18,000,000
Tuition fee		968,250	-
Short courses fee		975,000	-
		<u>19,943,250</u>	<u>18,000,000</u>
20 Administrative Expenses			
Entertainment		105,050	4,010
Registrar services		190,169	203,441
Postage and telegram		4,140	1,470
Vehicle up-keep		2,850	35,955
General expenses		13,775	160
Salaries Administrative		18,677,733	-
Advertisement		2,816,605	117,625
Printing and stationary		160,355	26,200
Auditors' remuneration	20.1	270,000	270,000
Arrear Auditors' remuneration		-	55,000
Fees and subscription		287,597	936,300
Charity / donation	20.2	1,243	-
Computer Expenses		63,370	-
Office Expenses		46,396	-
Conveyance Expenses		9,050	-
Newspapers, Books & Periodicals expenses		120	-
Security Expenses		480,700	-
Communication charges		44,950	-
Janitorial Expenses		198,456	-
Generator Expenses		242,948	-
Electric Expenses		1,571,437	-
Fuel & Gas		17,730	-
Water Expenses		39,066	-
Repair & Maintenance		1,049,382	-
Legal Expenses		296,914	-
Staff Welfare		2,115	-
Elevator Maintenance & Contract		176,500	-
Books & Professional Publication		117,822	-
Supplies - College Activity		23,082	-
Professional Fees & Charges		45,000	-
Laboratory Supplies		363,155	-
Sports and Gym Facilities		11,900	-
Printing and Publication		23,025	-
Educational Trips		31,500	-
Medical Expenses		270	-
Watch & Ward		41,800	-
House Keeping		17,000	-
Depreciation		12,930,660	14,060,645
		<u>40,373,864</u>	<u>15,710,805</u>



	Note	2019 -----Rupees-----	2018
20.1 Auditors' remuneration			
Audit fee		250,000	250,000
Out of pocket		20,000	20,000
		<u>270,000</u>	<u>270,000</u>
20.2 The Directors of the Modaraba Management Company do not have any interest in any donees' fund to which donations were made.			
21 Other Income			
Dividend income	21.1	16,832	30,743
Mark-up income		748	144
		<u>17,580</u>	<u>30,887</u>
21.1 Dividend Income			
Askari Bank		-	89
Bank Al Habib Ltd		30	36
MCB Bank Ltd		-	9
Faisal Spinning Mills Ltd		2,320	-
First IBL Modaraba		-	25
Hinopak Motors		1,390	1,355
Nishat (Chunian) Ltd		1,331	626
Nishat Mills Ltd		665	700
Orix Leasing Pakistan		923	1,086
Orix Modaraba		1,093	1,180
Packages Limited		3,885	7,770
Sana Industries Ltd		342	1,725
Shell Pakistan Ltd		4,291	16,077
Soneri Bank Ltd		86	65
Tri-Star Polyester Ltd		476	-
		<u>16,832</u>	<u>30,742</u>
22 Taxation			
Current year		-	-
Prior year		-	-
		<u>-</u>	<u>-</u>
The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. No provision for taxation has been made in these financial statements due to losses during the year. As such the income of Modaraba will remain tax free under the Income Tax Ordinance, 2001. Furthermore, the Modaraba is also exempt from the levy of minimum tax under the Income Tax Ordinance, 2001.			
23 (Loss) / earnings per certificate			
(Loss) / profit before Taxation		<u>(20,424,594)</u>	<u>2,319,532</u>
No. of Ordinary Certificates		<u>21,163,104</u>	<u>21,163,104</u>
(Loss) / earnings per certificate		<u>(0.97)</u>	<u>0.11</u>

**24 Transaction With Related Parties**

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

Transactions	Relationship	2019	2018
		-----Rupees-----	
Disposal of unlisted shares of Tri star Energy Ltd to Mariam Ahmed.	Key management personnel's relative	23,999,000	2,680,000
Rental income - Tri-Star Polyester Ltd.	Associated undertaking	9,000,000	9,000,000
Payment received against rentals from Tri-Star Polyester Limited	Associated undertaking	9,000,000	-
Rental income - Tri-Star Industries (Pvt) Ltd.	Associated undertaking	9,000,000	9,000,000
Balance as at the year end			
Payable to Modaraba Management Company		-	384,672
Investment in Tri - Star Energy Limited	Associated undertaking	40,586,000	64,585,000
Investment in Tri - Star Polyester Limited	Associated undertaking	4,379	7,906
Investment in Tri-Star Power Limited	Associated undertaking	1,040	2,512
Receivable from Tri-Star Polyester Limited	Associated undertaking	9,000,000	9,000,000
Receivable from Tri-Star Industries (Pvt) Limited	Associated undertaking	18,000,000	9,000,000

25 Financial Instrument And Related Disclosures**25.1 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



25.2 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:

	2019	2018
	-----Rupees-----	
Long term deposit	58,500	58,500
Due from associated undertakings	27,000,000	18,000,000
Investments	42,760,141	67,537,000
Other receivables	13,061	13,061
Bank balances	5,241,810	57,982
	<u>75,073,512</u>	<u>85,666,542</u>

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Bank	Rating		Agency	2019	2018
	Short term	Long term		-----Rupees-----	
Bank Al Habib Limited	A1+	AA+	PACRA	5,070,771	38,046
Al Baraka Bank Limited	A1	A	PACRA	156,400	8,469
Habib Bank Limited	A1+	AAA	JCR	8,434	7,761
National Bank Of Pakistan	A1+	AAA	PACRA	6,205	3,705
				<u>5,241,810</u>	<u>57,982</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.

25.3 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.



		2019			
		Upto one year	One year to five years	Over five years	Total
Financial assets		-----Rupees -----			
Long term deposit		-	58,500	-	58,500
Long term investments		-	40,591,419	-	40,591,419
Due from associated undertakings		27,000,000	-	-	27,000,000
Short term investments		2,168,722	-	-	2,168,722
Other receivables		13,061	-	-	13,061
Cash and bank balances		6,509,830	-	-	6,509,830
(a)		<u>35,691,612</u>	<u>40,649,919</u>	<u>-</u>	<u>76,341,531</u>
Financial liabilities					
Creditors, accrued and other liabilities		3,618,311	-	-	3,618,311
Security deposits		-	-	105,000	105,000
(b)		<u>3,618,311</u>	<u>-</u>	<u>105,000</u>	<u>3,723,311</u>
On-balance sheet gap	(a-b)	<u>32,073,302</u>	<u>40,649,919</u>	<u>(105,000)</u>	<u>72,618,221</u>

		2018			
		Upto one year	One year to five years	Over five years	Total
Financial assets		-----Rupees -----			
Long term deposit		-	58,500	-	58,500
Long term investments		-	64,595,418	-	64,595,418
Due from associated undertakings		18,000,000	-	-	18,000,000
Short term investments		2,941,582	-	-	2,941,582
Other receivables		13,061	-	-	13,061
Cash and bank balances		230,685	-	-	230,685
(a)		<u>21,185,328</u>	<u>64,653,918</u>	<u>-</u>	<u>85,839,246</u>
Financial liabilities					
Creditors, accrued and other liabilities	(b)	<u>1,548,141</u>	<u>-</u>	<u>-</u>	<u>1,548,141</u>
On-balance sheet gap	(a-b)	<u>19,637,187</u>	<u>64,653,918</u>	<u>-</u>	<u>84,291,105</u>

**25.4 Market risk**

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

25.5 Management of market risks

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

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

25.6 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.

25.7 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.

26 Fair Value of Financial Instruments

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

	2019	2018
	-----Rupees -----	
26.1 Financial instruments by category		
At amortised cost		
Cash and bank balances	6,509,830	230,685
Other receivables	13,061	13,061
Due from associated undertakings	27,000,000	18,000,000
Long term deposit	58,500	58,500
At fair value through other comprehensive income		
Investments	42,760,141	67,537,000
(a)	<u>76,341,531</u>	<u>85,839,246</u>
Financial liabilities		
At amortised cost		
Creditors, accrued and other liabilities	3,618,311	1,548,141
Security deposits	105,000	-
(b)	<u>3,723,311</u>	<u>1,548,141</u>
(a-b)	<u>72,618,221</u>	<u>84,291,105</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.

**26.2 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

2019				
Rupees				
	Carrying amount / Cost	Level 1	Level 2	Level 3
Financial instruments by category				
At amortised cost				
Cash and bank balances	6,509,830	-	-	-
Other receivables	13,061	-	-	-
Due from associated undertakings	27,000,000	-	-	-
Long term deposit	58,500	-	-	-
At fair value through other comprehensive income				
Investments	42,760,141	2,174,141	40,586,000	-
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	3,723,311	-	-	-
Security deposits	-	-	-	-

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

2018				
Rupees				
	Carrying amount / Cost	Level 1	Level 2	Level 3
Financial instruments by category				
At amortised cost				
Cash and bank balances	230,685	-	-	-
Other receivables	13,061	-	-	-
Due from associated undertakings	18,000,000	-	-	-
Long term deposit	58,500	-	-	-
At fair value through other comprehensive income				
Investments	67,537,000	2,952,000	64,585,000	-
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	1,548,141	-	-	-
Security deposits	-	-	-	-



27 Segment Information

Segment revenue, segment result, cost, assets and liabilities for the year ended are as follows:

	June 30, 2019			
	Income from property	Educational Institution	Unallocated	Total
	-----Rupees-----			
Segment revenue	18,000,000	1,943,250	-	19,943,250
RESULT				
Segment result				
Operating expenses	6,257,764	33,040,081	1,076,019	40,373,864
Financial and other charges	-	3,526	8,035	11,561
	6,257,764	33,043,607		40,385,424
Operating Profit	11,742,236	(31,100,357)	-	(20,442,174)
Other income	-	-	17,580	17,580
(Loss) / profit for the year	11,742,236	(31,100,357)	17,580	(20,424,594)
Other information				
Segment assets	83,319,874	59,469,022	50,304,783	193,093,679
Total assets	83,319,874	59,469,022	50,304,783	193,093,679
Segment liabilities	-	2,556,083	12,630,156	15,186,238
Total liabilities	-	2,556,083	12,630,156	15,186,238
Net assets	83,319,874	56,912,939	37,674,628	177,907,441
Capital expenditure	-	2,751,171	-	2,751,171

28 Capital Management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as net profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary Certificate holders. There were no changes to the Modaraba's approach to capital management during the year and the Modaraba is not subject to externally imposed capital requirements.

**29 Remuneration to officers and employees**

The aggregate amount of remuneration charged in these financial statements, including all benefits to officers and employees of the Modaraba are as under:

	2019		
	Officers *	Employees	Total
	Rupees	Rupees	Rupees
Salaries & allowances	11,554,748	7,122,985	18,677,733
Medical expenses			-
	<u>11,554,748</u>	<u>7,122,985</u>	<u>18,677,733</u>
Number of persons	<u>3</u>	<u>12</u>	<u>15</u>

29.1 No remuneration paid to the directors of the Modaraba Management Company during the year (2018: nil)

29.2 No salaries were paid by the Modaraba for the year ended June 30, 2018.

* These represent officers as prescribed under the Companies Act, 2017.

30 Number of employees

Total number of employees at end of the year	<u>15</u>	<u>1</u>
Average number of employees for the year	<u>15</u>	<u>1</u>

31 Date of Authorization for Issue

These financial statements were authorized for issue on 4th October, 2019 by the Board of Directors of the Modaraba Management Company.

32 General

32.1 Figures of pervious year have been reclassified and rearranged wherever necessary for the purpose of comparison.

32.2 Figures have been rounded off to the nearest rupees.

Chief Executive

Director

Director

Chief Financial Officer



Pattern of Certificate Holding As at June 30, 2019

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



CATEGORIES OF CRTIFICATE HOLDERS

As at June 30, 2019

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