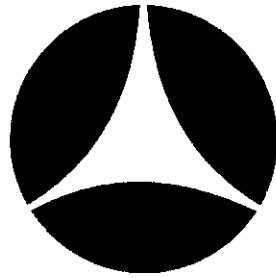


Annual Report
2020

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

Twenty One Annual Review Meeting of the Certificate Holders of First Tri-Star Modaraba will be held on Wednesday, October 28, 2020 at 9.30 am at F/538, S.I.T.E., Karachi.

The Certificate Transfer Books shall remain closed from October 21, 2020 to October 28, 2020 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 20, 2020 will be considered in time for the purpose of attendance of the Annual Review Meeting.

By Order of the Board

Chief Executive

Dated: October 5, 2020
Place: Karachi



Report of Directors of A.R.T. Modaraba Management (Pvt) Limited as on June 30, 2020

The Board of Directors of A.R.T. Modaraba Management (Pvt) Limited present the 30th Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30th June, 2020.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	2020	2019
	-----Rupees-----	-----Rupees-----
Revenue	26,755,135	19,943,250
Administrative expenses	<u>(24,696,051)</u>	<u>(40,373,864)</u>
	2,059,084	(20,430,614)
Other income	507,666	17,580
Financial Charges	<u>(2,752)</u>	<u>(11,561)</u>
	2,563,998	(20,424,594)
Modaraba Company's Management fee	(256,400)	-
Service sales tax on Management Company's fee	<u>(33,332)</u>	<u>-</u>
	2,274,266	(20,424,594)
Taxation	-	-
Profit/(Loss) for the year	<u>2,274,266</u>	<u>(20,424,594)</u>
Earnings/(Loss) per certificate	<u>0.11</u>	<u>0.97</u>

2. BUSINESS

During the period under review, the world was lost by the pandemic COVID-19 which proved to be a disaster for the economies all over the world.

Your Modaraba continued operating college and was able to sustain its operations during the period.

3. DIVIDEND

The Board of Directors have recommended a cash dividend @ 1% for the year ended 30.6.2020.



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, 2020. As required by the Code of Corporate Governance, the Board of Audit Committee has recommended the re-appointment of M/s. Muniff Ziauddin & Co., Chartered Accountants, as auditors of the Company for the ensuing year.

6. STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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

<u>Name of Director</u>	<u>No. of Meetings attended</u>
Mr. Asad Ahmad	04
Ms. Marium Ahmad	04
Mr. Ahmed Khizer Khan	02

- k. The pattern of certificate holdings is annexed.



<u>Name of Director</u>	<u>No. of Meetings attended</u>
Mr. Asad Ahmad	04
Ms. Marium Ahmad	04
Mr. Ahmed Khizer Khan	02

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 2, 2020



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, 2020** 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. 38.386 million (2019: Rs. 40.586 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. Furthermore, both the companies i.e. Tri Star Energy Limited and Modaraba Management Company (A.R.T. Modaraba Management (Private) Limited) have the common Chief Executive which is again in contravention with the requirements of Clause 7(7) of the Prudential Regulations for Modaraba.
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 in this regard we are unable to determine arm length price of these shares. Furthermore, the investment is measured at cost instead of fair value in contravention with the requirements of IFRS 9 and the accounting policy of investment (FVOCI) as adopted by the modaraba.
3. As disclosed in note 10, the amount of income tax payable Rs. 1.878 million has not been paid yet to the tax authorities. Furthermore, as disclosed in note 10, Zakat which was deducted by the modaraba during the year ended June 30, 2019 was not paid to the Central Zakat Fund established under section 7 of Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



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, 2020 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi: October 2, 2020

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



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: First Tri-Star Modaraba
Year ended: June 30, 2020

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
Female Director	Ms. Marium 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 Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
- 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 have 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. Marium 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/or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, head of internal audit, Company Secretary or director of the Company.

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 requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Karachi: October 2, 2020

Asad Ahmad
Chief Executive



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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, 2020 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-compliances with the requirement of the Regulations were observed which are not stated in the Statement of Compliance:

Reference	Description
-----------	-------------

- | | |
|----|---|
| 12 | As per the requirement of Para 28 (a) of the Regulations the board of directors of every listed company shall establish an Audit Committee at least of three members comprising of two non-executive directors and at least one independent director; the audit committee of the company comprises of one independent and two members being one executive and one non-executive director. |
|----|---|

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, 2020.

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. |
|----|--|

KARACHI: October 2, 2020

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



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

نحمده و نصلى على رسوله الكريم

Annual Shariah Advisor's Report

For the period ended June 30, 2020

We have conducted the Shariah review of First Tri-Star Modaraba for the financial year ended **June 30, 2020** 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 a PLS dormant account in HBL conventional banking. We recommend the management to close this account and pay the profit (if any) 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	ORIX Leasing Pakistan Ltd	10,091/-
2	Saudi Pak Leasing Ltd	78/-
3	Bank Al Habib Ltd.	628/-
4	Soneri Bank Ltd.	955/-
5	Samba Bank Ltd.	219/-
6	Saritow Spinning Mills Ltd	3,310/-
7	Nishat Chunian Ltd.	7,853/-
8	Kohinoor Industries Limited	1,072/-
9	Hinopak Motors Limited	7,460/-

Address: Flat 503, 8th Floor Ibrahim Residency, C.P & Berar Society, Karachi.



+92 322 2671867



www.alhamdshariahadvisory.com



info@alhamdshariahadvisory.com



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

DIVIDEND PURIFICATION:

- a) Dividend of those companies/banks whose nature of business is non Shariah compliant, must be paid into charity. 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.	42/-
2	Orix Leasing Pakistan Ltd	2,496/-
3	Soneri Bank Ltd.	86/-
4	Askari Bank Ltd.	134/-
Total		Rs. 2,758/-

- b) Dividend of those companies whose nature of business is Shariah compliant but due to non-compliance with other screening criteria's, they are non-compliant, their whole dividend will not be paid into charity else only the interest based portion would be paid into charity. The detail are as follows:

S.No	Name of Institutions	Charitable Amount
1	Faisal Spinning Mills Ltd.	22/-
2	Nishat Chunian Ltd. (non-compliant)	605/-
3	Nishat Mills Ltd	9/-
4	Packages Ltd.	30/-
Total		Rs. 666/-

ADVERTISEMENT:

We found a non Shariah compliant advertisement on the premises of Modaraba. We recommend that Modaraba should discontinue this advertisement and avoid such kind of advertisement in future.

Address: Flat 503, 8th Floor Ibrahim Residency, C.P & Berar Society, Karachi

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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

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 (if any) received by Modaraba on this account should be paid into charity.
- 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, advertisement and any type of agreement.
- 5) It is also advised that Modaraba should take prior approval of Shariah Advisor before launching any new business activity.

CONCLUSION:

Besides the above mentioned improvements, 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 (Pvt.) Limited

25th September, 2020



Address: Flat 503, 8th Floor Ibrahim Residency, C.P & Berar Society, Karachi.



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www.alhamdshariahadvisory.com



info@alhamdshariahadvisory.com

**Balance Sheet as at**

	2020	2019
Note	-----Rupees-----	
CAPITAL AND RESERVES		
Authorised Capital 40,000,000 (2019: 40,000,000) Modaraba Certificates of Rs. 10 each	400,000,000	400,000,000
Issued, subscribed and paid-up certificate capital	211,631,040	211,631,040
Reserves	(29,241,223)	(31,515,489)
Certificate holders' equity	182,389,817	180,115,551
Deficit on revaluation of investments	(1,914,121)	(2,208,110)
NON CURRENT LIABILITIES		
Security deposits	335,000	105,000
CURRENT LIABILITIES		
Creditors, accrued and other liabilities	7,235,586	8,946,282
Unclaimed dividend	6,134,956	6,134,956
Provision for taxation	-	-
Total current liabilities	13,370,542	15,081,238
Contingencies and commitments		
TOTAL LIABILITIES AND EQUITY	194,181,238	193,093,679



June 30, 2020

	Note	2020 -----Rupees-----	2019
NON-CURRENT ASSETS			
Fixed assets - tangible	12	54,186,052	59,977,862
Investment property	13	50,687,886	56,319,874
Long term deposit		58,500	58,500
Long term investments	14	38,390,413	40,591,419
Total non-current assets		143,322,851	156,947,655
CURRENT ASSETS			
Short term investments	15	2,463,717	2,168,722
Due from associated undertakings	16	46,100,000	27,000,000
Advances	17	743,392	454,412
Other receivables		8,578	13,061
Cash and bank balances	18	1,542,701	6,509,830
Total current assets		50,858,387	36,146,024
TOTAL ASSETS		194,181,238	193,093,679

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, 2020**

	Note	2020 -----Rupees-----	2019
Revenue	19	26,755,135	19,943,250
Administrative expenses	20	<u>(24,696,051)</u>	(40,373,864)
		2,059,084	(20,430,614)
Other income	21	507,666	17,580
Financial charges		<u>(2,752)</u>	(11,561)
Profit / (Loss) before taxation		2,563,998	(20,424,594)
Modaraba Company's Management fee		(256,400)	
Services sales tax on Management Company's fee		<u>(33,332)</u>	-
		2,274,266	(20,424,594)
Taxation	22	-	-
Profit / (Loss) for the year		<u>2,274,266</u>	<u>(20,424,594)</u>
Earning / (Loss) per certificate	23	<u>0.11</u>	<u>(0.97)</u>

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, 2020**

	2020	2019
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	2,274,266	(20,424,594)
Add/(Less): Item not involving movement of cash:		
Depreciation	11,656,398	12,930,660
Dividend income	(12,506)	(16,832)
	11,643,893	12,913,828
	13,918,159	(7,510,767)
Changes of Working Capital:		
(Increase) Decrease in current assets	(19,095,517)	(9,000,000)
Increase (Decrease) in current liabilities	(1,710,696)	3,726,251
	(20,806,213)	(5,273,749)
Income tax paid	(288,980)	(189,690)
Net cash generated from operating activities	(7,177,035)	(12,974,205)
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend income	12,506	16,832
Capital Expenditure Incurred	(232,600)	(2,751,171)
Sale proceeds of investments	2,200,000	23,999,000
Net cash inflow from investing activities	1,979,906	21,264,661
CASH FLOW FROM FINANCING ACTIVITIES		
Final cash dividend paid	-	(2,116,310)
Long term deposits	230,000	105,000
Net cash outflow from financing activities	230,000	(2,011,310)
Net increase in cash & cash equivalents during the year	(4,967,129)	6,279,145
Cash & cash Equivalent at the beginning of the year	6,509,830	230,685
Cash & cash Equivalent at the end of the year	1,542,701	6,509,830

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, 2020

	2020	2019
	----- Rupees -----	-----
Profit / (Loss) for the year	2,274,266	(20,424,594)
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	293,989	(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	-	-
Total comprehensive income / (loss) for the year	<u>2,568,255</u>	<u>(21,202,453)</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, 2020**

	Certificate Capital	Capital Reserve	Revenue Reserve		Total
		Statutory Reserve	General Reserve	Accumulated Loss	
-----Rupees-----					
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 income for the year	-	-	-	20,424,594	20,424,594
Transfer to statutory reserves	-	-	-	-	-
Transactions with owners:					
Final dividend for the year ended June 30, 2019	-	-	-	(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
Profit for the year	-	-	-	2,274,266	2,274,266
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	2,274,266	2,274,266
Transfer to statutory reserves	-	-	-	-	-
Balance as at June 30, 2020	211,631,040	21,744,353	10,000,000	(60,985,576)	182,389,817

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

	2020	2019	2018	2017	2016	2015
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.)	(29,241,223)	(31,515,489)	(2,806,047)	(5,125,579)	(7,129,279)	(19,685,359)
Fixed Assets-WDV (Rs.)	104,873,938	116,297,736	126,477,225	139,263,912	188,842	210,352
Investments at Cost (Rs.)	40,854,130	42,760,141	67,537,000	70,825,158	76,066,550	75,766,110
Current Assets (Rs.)	50,858,387	36,146,024	21,487,549	5,491,871	8,584,549	137,654,315
Current Liabilities (Rs.)	13,370,542	15,081,238	11,354,987	12,538,430	19,600,972	20,178,196
Income						
Gain/(Loss) on sale of investments	-	-	-	(631,294)	-	(374,220)
Dividend Income	12,506	16,832	30,743	50,170	32,614	30,723
Net Profit/(Loss) for the year	2,274,266	(20,424,594)	2,319,532	2,003,700	4,133,531	(3,161,029)
Accumulated Profit/(Loss)	(60,985,576)	(63,259,842)	(34,550,400)	(36,406,025)	(37,182,279)	(41,315,810)
Statistics & Ratios						
Operating Profit/(Loss) Ratio (%)	0.08	(102.44)	12.89	55.42	87.10	(823.10)
Net Profit/(Loss) Ratio (%)	0.08:1	(102.44):1	0.13:1	0.29:1	0.44:1	6.82:1
Current Ratio						
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	0.110	(0.965)	0.110	0.095	0.195	(0.149)
Breakup value per Share (Rs.)	8.62	8.51	9.87	9.76	9.66	9.07
Net Assets (Rs in Million)	182.389	180.115	208.825	206.505	204.502	191.946
Net Asset Value Per Share (Rs.)	8.62	8.51	9.87	9.76	9.66	9.07
Cash Dividend (%)	-	-	-	-	-	-
Bonus Dividend (%)	-	-	-	-	-	-



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1 LEGAL STATUS AND NATURE OF THE BUSINESS

1.1 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, Main Shahrah-e-Faisal, Karachi.

The Modaraba is engaged in the following activities:

- i) Renting out its building
- ii) Running an educational institution

Geographical location and addresses of business units and immovable fixed asset of the Modaraba are as under:

Location	Address	Purpose
Karachi	A/33, Central Commercial Area, Block 7/8, KCHSU, Main Shahrah-e-Faisal	Registered Office & Investment Property

1.2 The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is hard predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

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.

The SECP has issued directive (vide SRO 431(1)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS - 2) shall be followed in the preparation of the financial statements by Companies and Modarabas while accounting for lease financing transaction as defined by the said standard. The Modaraba has adopted the said standard.



2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments in accordance with the requirements of 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 are presented in Pakistan Rupee (Rs./Rupees) which is the Modaraba's functional currency. Amounts presented in the Financial statements have been rounded off to the nearest of Rs. /Rupees, unless otherwise stated.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING AND REPORTING STANDARDS ADOPTED BY THE MODARABA DURING THE CURRENT PERIOD

The Company has adopted the accounting standard which became effective for the current year, these standards did not have any material effect on these financial statements except for the following:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017, and the amendments and interpretations there to will be effective for accounting periods beginning on or after July 1, 2019:

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low value leases. The Modaraba has adopted IFRS 16 with effect from July 1, 2019. However, there is no impact on these financial statements as a result of adoption of IFRS 16 as the leases are either of short term or low value.

There are other certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these 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	5.5
- Impairment of assets	5.12



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 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 12.

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.

5.12 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.

5.2 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.

5.3 Financial Instruments

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 recognized 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 recognized when funds are transferred to the banks / employees / counterparties. The Modaraba recognizes 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 amortized 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 amortized cost

A debt instrument is measured at amortized 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.

5.4 Revenue recognition

According to the core principle of IFRS 15, the Company recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good and services. The Company recognizes revenue in accordance with that core principle by applying the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when the entity satisfies a performance obligation

The Modaraba recognizes revenue and other income on the following basis:

- Revenue from fee is recognised on accrual basis while fees received in advanced is treated as liability;
- Return on investment and deposits with banks are recognized on an accrual basis;
- Ijarah / lease rental income is recognized on an accrual basis;
- Income on diminishing Musharaka financing is recognized on accrual basis;
- Rental income from investment property is recognized on a straight line basis over the term of the lease;
- 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;

5.5 Taxation

5.5.1 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.

5.5.2 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.



5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 Profit distribution to certificates holders

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

5.12 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.



5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 Contingent liabilities

A contingent liability is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly with the control of the Modaraba or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation can not be measured with sufficient reliability.



6 Issued, subscribed and paid-up certificate capital

2020	2019		2020	2019
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
			211,631,040	211,631,040

6.1 As at 30 June, 2020 A.R.T Modaraba Management (Private) Limited (Management Company) held 5,976,165 (2019: 5,432,878) certificates of Rs. 10 each.

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	(60,985,576)	(63,259,842)
	(50,985,576)	(53,259,842)
	(29,241,223)	(31,515,489)

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

8 Deficit on revaluation of investments

Market value of investments	40,854,130	42,760,141
Less: Cost of investments	42,768,251	44,968,251
	(1,914,121)	(2,208,110)
Deficit on revaluation at beginning of the year	(2,208,110)	(1,430,251)
Gain / (loss) during the year	293,989	(777,859)
Net Deficit on revaluation at year end	(1,914,121)	(2,208,110)

8.1 Deficit on revaluation of investments is presented under a separate head below equity as 'deficit on revaluation of investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017.

9 Security deposits	9.1	335,000	105,000
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9.1 These represents refundable security desposits collected at the admission of students and are utilised by the Modaraba in compliance with the requirements of section 217 of the Companies Act, 2017.

10 Creditors, accrued and other liabilities

Accrued expenses	1,329,244	3,618,311
Management fee	256,400	
Sales tax payable on Management fees	83,339	50,000
Income tax payable	2,166,815	1,878,176
Zakat payable	3,399,788	3,399,788
	7,235,586	8,946,282

10.1 Pursuant to Order of Sindh Revenue Board (SRB), the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 13% per annum.

11 Contingencies and commitments

There are no contingencies and commitments as on June 30, 2020 (2019 : Nil)



12 Fixed assets - tangible

Particulars	2020							Total
	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Electric Installation	Building	
Rupees								
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)
Net book amount	46,374	1,242	3,083,249	170,717	26,827	329,580	56,319,874	59,977,862
Year ended June 2020								
<i>Gross carrying amount</i>								
Balance July 01, 2019	119,700	412,250	4,416,279	542,719	232,700	366,200	70,115,000	76,204,848
Additions	-	-	211,000	21,600	-	-	-	232,600
Disposals	-	-	-	-	-	-	-	-
Balance June 30, 2020	119,700	412,250	4,627,279	564,319	232,700	366,200	70,115,000	76,437,448
<i>Accumulated Depreciation</i>								
Balance July 01, 2019	73,326	411,008	1,333,030	372,002	205,873	36,620	13,795,126	16,226,986
Transferred from investment property	-	-	-	-	-	-	-	-
Depreciation charge for the year	4,637	248	327,300	19,232	8,048	32,958	5,631,987	6,024,411
Disposals	-	-	-	-	-	-	-	-
Balance June 30, 2020	77,963	411,257	1,660,330	391,233	213,921	69,578	19,427,114	22,251,396
Net book amount	41,737	993	2,966,949	173,086	18,779	296,622	50,687,886	54,186,052
As at June 30 2020								
Cost	119,700	412,250	4,627,279	564,319	232,700	366,200	70,115,000	76,437,448
Accumulated Depreciation	(77,963)	(411,257)	(1,660,330)	(391,233)	(213,921)	(69,578)	(19,427,114)	(22,251,396)
Net book amount	41,737	993	2,966,949	173,086	18,779	296,622	50,687,886	54,186,052
Rate	10%	20%	10%	10%	30%	10%	10%	

Particulars	2019							Total
	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Electric Installation	Building	
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)
Net book amount	51,527	1,552	1,219,161	26,386	23,324		56,319,874	57,641,823
Year ended June 2019								
<i>Gross carrying amount</i>								
Balance July 01, 2018	119,700	412,250	2,209,608	379,419	217,700	-	70,115,000	73,338,677
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	119,700	412,250	4,416,279	542,719	232,700	366,200	70,115,000	76,204,848
<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	73,326	411,008	1,333,030	372,002	205,873	36,620	13,795,126	16,226,986
Net book amount	46,374	1,242	3,083,249	170,717	26,827	329,580	56,319,874	59,977,862
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)
Net book amount	46,374	1,242	3,083,249	170,717	26,827	329,580	56,319,874	59,977,862
Rate	10%	20%	10%	10%	30%	10%	10%	



13 Investment property

Particulars	Building Rupees
Year ended June 2019	
<i>Gross carrying amount</i>	
Balance July 01, 2019	70,115,000
Transferred to fixed assets - tangible	-
Additions	-
Disposals	-
Balance June 30, 2020	<u>70,115,000</u>
<i>Accumulated Depreciation</i>	
Balance July 01, 2019	13,795,126
Transferred to fixed assets - tangible	-
Additions	-
Depreciation charge for the year	5,631,987
Disposals	-
Balance June 30, 2020	<u>19,427,114</u>
<i>Net book amount</i>	<u>50,687,886</u>
As at June 30 2020	
Cost	70,115,000
Accumulated Depreciation	<u>(19,427,114)</u>
<i>Net book amount</i>	<u>50,687,886</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 The above building is situated on A/33, Central Commercial Area, Block 7/8, KCHSU, Karachi.

13.3 The fair value of the investment property based on the latest available valuation dated February 11, 2019 is Rs. 195,960,000.



14	Long term investments	Note	2020	2019
			-----Rupees-----	
<i>At fair value through other comprehensive income (FVOCI)</i>				
	Shares and certificates of listed companies & associated undertaking	14.1	4,413	5,419
	Shares of unlisted associated companies	14.2	38,386,000	40,586,000
			<u>38,390,413</u>	<u>40,591,419</u>

14.1 Investments in listed companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2020		2019	
			Cost	Fair Value	Cost	Fair Value
2020	2019		Rupees	Rupees	Rupees	Rupees
476	476	Tri-Star Polyester Limited	5,821	3,337	5,821	4,379
400	400	Tri-Star Power Limited	8,634	1,076	8,634	1,040
			<u>14,455</u>	<u>4,413</u>	<u>14,455</u>	<u>5,419</u>
		Less: Fair Value Adjustment	<u>10,042</u>		<u>9,036</u>	
		Fair Value	<u>4,413</u>		<u>5,419</u>	

14.2 Investment of Unlisted companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2020	2019
			Cost	Cost
2020	2019		Rupees	Rupees
3,838,600	4,058,600	Tri-Star Energy Limited	38,386,000	40,586,000
		(Percentage Holding)		
12%	13%	Less: Fair Value Adjustment		

14.3 During the year, the Management has sold the 220,000 shares amounting to Rs. 2,200,000. 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	2020		2019	
			Cost	Fair Value	Cost	Fair Value
2020	2019		Rupees	Rupees	Rupees	Rupees
437	437	Orix Modaraba	7,305	7,866	7,305	6,774
70	70	First IBI, Modaraba	1,860	154	1,860	175
		Orix Leasing Pakistan				
434	434	Limited	9,938	10,091	9,938	10,681
132	132	Saudi Pak Leasing Limited	2,349	78	2,349	-
12	12	Bank AL Habib Limited	23	628	23	941
86	86	Soneri Bank Limited	315	955	315	882
28	28	Samba Bank Limited	500	219	500	154



851	851	Saritow Spinning Mills Ltd	12,375	3,310	12,375	3,812
100	100	Faisal Spinning Mills Limited	3,115	25,100	3,115	23,750
171	171	Sana Industries Limited	11,499	6,840	11,499	7,350
242	242	Nishat Chunian Limited	2,882	7,853	2,882	8,475
140	140	Nishat Mills Limited	3,533	10,921	3,533	13,068
120	-	Din Textile Mills Ltd.	-	5,038	-	9,750
230	230	Mohammad Farooq Textile Mills Ltd.	7,743	-	7,743	-
127	127	Jubilee Spinning & Weaving Mills Limited	2,004	413	2,004	287
301	301	Kohinoor Industries Limited	11,264	1,072	11,264	840
20	20	Hinopak Motors Limited	1,660	7,460	1,660	6,440
6,000	6,000	Engro Corporation Limited	246,032	1,757,520	246,032	1,593,600
		Sanofi-Aventis (Aventis)				
100	100	Limited	16,064	83,850	16,064	60,500
259	259	Packages Limited	7,816	89,927	7,816	77,845
2,000	2,000	Cherat Cement Limited	83,600	174,340	83,600	61,920
613	613	Shell Pakistan Limited	1,280	111,922	1,280	111,848
1,000	1,000	Pakistan State Oil Company limited	415,215	158,160	415,215	169,630
264	264	Dewan Salman Fibre Limited	6,622	-	6,622	-
			854,994	2,463,717	854,994	2,168,722

Fair Value Adjustment

1,608,723

1,313,728

Fair Value

2,463,717

2,168,722

Companies delisted/Trading suspended

No. of Shares/Certificates		Name of Company	2020		2019	
			Cost	Fair Value	Cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
400	400	Islamic Investment Bank Limited	2,757	-	2,757	-
5	5	Innovative Investment Bank 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	-

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



	Note	2020	2019
		Rupees	
16 Due from associated undertakings			
<i>Unsecured considered good</i>			
Tri-Star Polyester Ltd.		17,300,000	9,000,000
Image Embroidered Fabric		9,000,000	9,000,000
Tri-Star Industries (Pvt.) Ltd.		9,000,000	9,000,000
Indus Battery Industries (Pvt) Ltd		9,000,000	-
Reimbursable from Indus Battery Ind. (Pvt) Ltd		1,800,000	-
		46,100,000	27,000,000

16.1 These represents amounts receivable in respect of rental property.

Name of related party	Gross amount due	Past due amount	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount due	Maximum amount outstanding at any time during the year
	Rupees						
Tri-Star Polyester Ltd.	17,300,000	17,300,000	-	-	-	17,300,000	17,300,000
Image Embroidered Fabric	9,000,000	9,000,000	-	-	-	9,000,000	9,000,000
Tri-Star Industries (Pvt.) Ltd.	9,000,000	9,000,000	-	-	-	9,000,000	9,000,000
Indus Battery Industries (Pvt) Ltd	10,800,000	10,800,000	-	-	-	10,800,000	10,800,000
	46,100,000	46,100,000	-	-	-	46,100,000	46,100,000

Age analysis of receivables from associated undertakings

Name of related party	Amount not past due	Amount past due					Total gross amount due
		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	Past due 365 days	
	Rupees						
Tri-Star Polyester Ltd.	9,000,000	-	-	-	-	8,300,000	17,300,000
Image Embroidered Fabric	-	-	-	-	-	9,000,000	9,000,000
Tri-Star Industries (Pvt.) Ltd.	-	-	-	-	-	9,000,000	9,000,000
Indus Battery Industries (Pvt) Ltd	10,800,000	-	-	-	-	-	10,800,000
	19,800,000	-	-	-	-	26,300,000	46,100,000

17 Advance and Deposits

Advance income tax

743,392

454,412

743,392

454,412

18 Cash and Bank Balances

Cash in hand

1,497,695

1,268,019

Bank balances

- Saving account

18.1

8,434

8,434

- Current account

36,571

5,233,376

45,005

5,241,810

1,542,701

6,509,830

18.1 This carries profit at rates ranging from 4% to 6% (2019: 4% to 6%).



19 Revenue			
Rental income		18,000,000	18,000,000
Tuition fee		5,262,135	968,250
Short courses fee		3,493,000	975,000
		<u>26,755,135</u>	<u>19,943,250</u>
20 Administrative Expenses			
Entertainment		96,292	105,050
Registrar services		203,795	190,169
Postage and telegram		6,480	4,140
Vehicle up-keep		-	2,850
General expenses		2,600	13,775
Salaries Administrative	20.1	9,177,202	18,677,733
Advertisement		449,783	2,816,605
Printing and stationary		245,684	160,355
Auditors' remuneration	20.2	270,000	270,000
Fees and subscription		275,442	287,597
Charity / donation	20.3	-	1,243
Computer Expenses		5,890	63,370
Office Expenses		6,351	46,396
Conveyance Expenses		5,993	9,050
Newspapers, Books & Periodicals expenses		-	120
Security Expenses		239,543	480,700
Communication charges		-	44,950
Janitorial Expenses		388,619	198,456
Generator Expenses		45,000	242,948
Electric Expenses		593,592	1,571,437
Fuel & Gas		1,770	17,730
Water Expenses		59,321	39,066
Repair & Maintenance		80,890	1,049,382
Legal Expenses		-	296,914
Staff Welfare		-	2,115
Elevator Maintenance & Contract		173,500	176,500
Books & Professional Publication		44,447	117,822
Supplies - College Activity		4,300	23,082
Professional Fees & Charges		-	45,000
Laboratory Supplies		-	363,155
Sports and Gym Facilities		-	11,900
Printing and Publication		-	23,025
Educational Trips		2,967	31,500
Medical Expenses		-	270
Watch & Ward		-	41,800
House Keeping		-	17,000
IT Services		160,000	-
Short Courses Consultancy Charges		478,600	-
Canteen Expenses		6,525	-
Student Uniform Expenses		15,067	-
Depreciation		11,656,398	12,930,660
		<u>24,696,051</u>	<u>40,373,864</u>

2020 2019

Note -----Rupees-----

20.1 Salaries Administrative

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

	2020			2019		
	Officers Rupees	Employees Rupees	Total Rupees	Officers Rupees	Employees Rupees	Total Rupees
Salaries & allowances	1,459,467	7,717,735	9,177,202	11,554,748	7,122,985	18,677,733
	<u>1,459,467</u>	<u>7,717,735</u>	<u>9,177,202</u>	<u>11,554,748</u>	<u>7,122,985</u>	<u>18,677,733</u>
Number of persons	<u>1</u>	<u>25</u>	<u>26</u>	<u>3</u>	<u>12</u>	<u>15</u>



20.1.1 No remuneration paid to the directors of the Modaraba Management Company during the year (2019: Nil.)

20.2 Auditors' remuneration

Audit fee	250,000	250,000
Out of pocket	20,000	20,000
	<u>270,000</u>	<u>270,000</u>

20.3 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	12,506	16,832
Interest Income		-	748
Student Uniform Sales		36,500	-
Canteen Sales		3,960	-
Laboratory Charges		308,400	-
Write back		146,300	-
		<u>507,666</u>	<u>17,580</u>

21.1 Dividend Income

First Elite Capital Modaraba	30	-
First IBL Modaraba	11	-
Bank Al Habib Ltd	42	30
Din Textile Mills Ltd	300	-
Faisal Spinning Mills Ltd	3,350	2,320
Hinopak Motors	-	1,390
Nishat (Chunian) Ltd	605	1,331
Nishat Mills Ltd	560	665
Orix Leasing Pakistan	2,496	923
Orix Modaraba	1,093	1,093
Packages Ltd.	3,108	3,885
Sana Industries Ltd	428	342
Shell Pakistan Ltd	263	4,291
Soneri Bank Ltd	86	86
Askari Bank Ltd	134	-
Tri-Star Polyester Ltd	-	476
	<u>12,506</u>	<u>16,832</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 Earnings / (loss) per certificate

Profit / (loss) before Taxation	<u>2,274,266</u>	<u>(20,424,594)</u>
No. of Ordinary Certificates	<u>21,163,104</u>	<u>21,163,104</u>
(Loss) / earnings per certificate	<u>0.11</u>	<u>(0.97)</u>



24 **Transaction With Related Parties**

The related parties comprise Modaraba management company, associate companies, directors, companies where directors also hold directorship, key management personnel and staff retirement funds of the Modaraba. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Transactions	Relationship	2020	2019
		-----Rupees-----	
Disposal of unlisted shares of Tri star Energy Ltd to Mariam Ahmed.	Key management personnel's relative	2,200,000	23,999,000
Rental income - Tri-Star Polyester Ltd.	Associated undertaking	9,000,000	9,000,000
Payment received against rentals from Tri-Star Polyester Ltd.	Associated undertaking	700,000	9,000,000
Rental Income - Indus Battery Industries (Pvt) Ltd	Associated undertaking	9,000,000	-
Reimbursable - Indus Battery Industries (Pvt) Ltd	Associated undertaking	1,800,000	-
Rental income - Tri-Star Industries (Pvt) Ltd.	Associated undertaking	-	9,000,000
Balance as at the year end			
Payable to Modaraba Management Company		256,636	-
Investment in Tri - Star Energy Ltd.	Associated undertaking	38,386,000	40,586,000
Investment in Tri - Star Polyester Ltd.	Associated undertaking	3,337	4,379
Investment in Tri-Star Power Ltd.	Associated undertaking	1,076	1,040
Receivable from Tri-Star Polyester Ltd.	Associated undertaking	17,300,000	9,000,000
Receivable from Image Embroidered Fabric	Associated undertaking	9,000,000	9,000,000
Receivable from Tri-Star Industries (Pvt) Ltd.	Associated undertaking	9,000,000	9,000,000
Receivable from Indus Battery Industries (Pvt) Ltd.	Associated undertaking	10,800,000	-

25 **Financial Instrument And Related Disclosures**

25.1 **Financial Instruments By Category**

	2020	2019
	Rupees	
At Amortized Cost		
Long term deposit	58,500	58,500
Due from associated undertakings	46,100,000	27,000,000
Other receivables	8,578	13,061
Cash and bank balances	1,542,701	6,509,830
At fair value through OCI		
Long term investments	38,390,413	40,591,419
Short term investments	2,463,717	2,168,722
	88,563,908	76,341,531
Financial liabilities		
At Amortized Cost		
Security deposits	335,000	105,000
Accrued and other liabilities	1,585,644	3,618,311
Unclaimed profit distributions	6,134,956	6,134,956
	8,055,600	9,858,267



25.2 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

25.3 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with various parties and continuous monitoring of credit worthiness of dealing parties. The management understands that the Modaraba is not exposed to any major concentration of credit risk.

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:

	2020	2019
	-----Rupees-----	
Long term deposit	58,500	58,500
Due from associated undertakings	46,100,000	27,000,000
Investments	40,854,130	42,760,141
Other receivables	8,578	13,061
Bank balances	45,005	5,241,810
	<u>87,066,213</u>	<u>75,073,512</u>

Credit risk ratings

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

Bank	Rating		Agency	2020	2019
	Short term	Long term		-----Rupees-----	
Bank Al Habib Limited	A-1+	AA+	PACRA	17,092	5,070,771
Al Baraka Bank (Pakistan) Limited	A-1	A	PACRA	9,274	156,400
Habib Bank Limited	A-1+	AAA	JCR-VIS	8,434	8,434
National Bank Of Pakistan	A-1+	AAA	PACRA	10,205	6,205
				<u>45,005</u>	<u>5,241,810</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.

25.4 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.

	2020			Total	
	Upto one year	One year to five years	Over five years		
Financial assets	-----Rupees -----				
Long term deposit	-	58,500	-	58,500	
Long term investments	-	38,390,413	-	38,390,413	
Due from associated undertakings	46,100,000	-	-	46,100,000	
Short term investments	2,463,717	-	-	2,463,717	
Other receivables	8,578	-	-	8,578	
Cash and bank balances	1,542,701	-	-	1,542,701	
(a)	50,114,995	38,448,913	-	88,563,908	
Financial liabilities					
Creditors, accrued and other liabilities	1,585,644	-	-	1,585,644	
Security deposits	-	230,000	105,000	335,000	
Unclaimed profit distributions	6,134,956	-	-	6,134,956	
(b)	1,585,644	230,000	105,000	8,055,600	
On-balance sheet gap	(a-b)	48,529,352	38,218,913	(105,000)	80,508,308
	-----Rupees -----				
	2019			Total	
	Upto one year	One year to five years	Over five years		
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)	35,691,612	40,649,919	-	76,341,531	
Financial liabilities					
Creditors, accrued and other liabilities	3,618,311	-	-	3,618,311	
Security deposits	-	-	105,000	105,000	
Unclaimed profit distributions	6,134,956	-	-	6,134,956	
	9,753,267	-	-	9,858,267	
On-balance sheet gap	(a-b)	25,938,346	40,649,919	-	66,483,265



25.5 Market risk

Market price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market segments, speculative activities, supply and demand of securities and liquidity in the market.

Exposure

The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities. As at June 30, 2020, the fair value of equity exposed to price risk was as follows:

Particulars:	Average Cost	Fair Value	Average Cost	Fair Value
	2020		2019	
	-----Rupees-----			
Equity investments	<u>42,768,251</u>	<u>40,854,130</u>	<u>42,768,251</u>	<u>42,760,141</u>

Risk management

The Modaraba's policy is to manage price risk through diversified and selection of securities and other financial instruments within specified limits set by Investment Committee. The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by stock exchange at which is set as per the trading trend and volumes in the security.

Sensitivity analysis

As at June 30, 2020, had there been increase/decrease in net asset value by 5%, with all other variables held constant, the loss before tax for the year would have been lower / higher by Rs 0.123 million (2019: Rs 0.108 million).

Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate risk arises from long and Short term borrowings from financial institutions. As at June 30, 2020, the interest rate risk profile of the Company's doesn't have any interest-bearing financial instrument.

Operational risk

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

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

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



26 Fair Value of Financial Assets

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 recognizes 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.

26.1 Fair Value Of Financial Instruments

		2020		
		Rupees		
	Carrying amount / Cost	Level 1	Level 2	Level 3
Financial instruments by category				
At amortised cost				
Cash and bank balances	1,542,701	-	-	-
Other receivables	8,578	-	-	-
Due from associated undertakings	46,100,000	-	-	-
Long term deposit	58,500	-	-	-
	<u>47,709,778</u>			
At fair value through other comprehensive income				
Investments	40,854,130	2,468,130	38,386,000	-
Financial liabilities				
At amortised cost				
Security deposits	335,000			
Accrued and other liabilities	1,585,644	-	-	-
Unclaimed profit distributions	6,134,956			
	<u>8,055,600</u>			
		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	-	-	-
	<u>33,581,390</u>			
At fair value through other comprehensive income				
Investments	42,760,141	2,468,130	40,292,011	-
Financial liabilities				
At amortised cost				
Creditors, accrued and other liabilities	3,618,311	-	-	-
Unclaimed profit distributions	6,134,956			
Security deposits	105,000			
	<u>9,858,267</u>			

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

