

Annual Report  
2021

# 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 Second Annual Review Meeting of the Certificate Holders of First Tri-Star Modaraba will be held on Thursday, October 28, 2021 at 9.30 am at F/538, S.I.T.E., Karachi.

The Certificate Transfer Books shall remain closed from October 23, 2021 to November 06, 2021 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 22, 2021 will be considered in time for the purpose of attendance of the Annual Review Meeting.

By Order of the Board

**Chief Executive**

Dated: October 05, 2021

Place: Karachi

## Report of Directors of A.R.T. Modaraba Management (Pvt) Limited as on June 30, 2021

The Board of Directors of A.R.T. Modaraba Management (Pvt) Limited present the 31<sup>st</sup> Annual Report of First Tri-Star Modaraba together with audited accounts for the year ended 30<sup>th</sup> June, 2021.

### 1. FINANCIAL RESULTS

Financial results are summarized as follows:

	2021	2020
	-----Rupees-----	
Revenue	39,363,176	26,755,135
Administrative expenses	<u>(23,947,905)</u>	<u>(24,696,051)</u>
	15,415,271	2,059,084
Other income	106,036	507,666
Financial Charges	<u>(2,878)</u>	<u>(2,752)</u>
	15,518,430	2,563,998
Modaraba Company's Management fee	(1,551,843)	(256,400)
Service sales tax on Management Company's fee	(201,740)	(33,332)
Provision for Sindh Workers' Welfare Fund	<u>(275,297)</u>	<u>-</u>
Profit before Taxation	13,489,550	2,274,266
Taxation	<u>-</u>	<u>-</u>
Profit for the year	<u><u>13,489,550</u></u>	<u><u>2,274,266</u></u>
Earnings per certificate - basic and diluted	<u><u>0.64</u></u>	<u><u>0.11</u></u>

### 2. BUSINESS

Your Modaraba continued generating revenue through rental income and income from running an educational institution which has established itself well within a short time.

### 3. DIVIDEND

The Board of Directors has recommended 6% cash dividend for the year ended 30.06.2021.

### 4. BOARD OF DIRECTOR

The Board of Directors assumed their office with effect from 12<sup>th</sup> February, 2021 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, 2021.

**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	04

- k. The pattern of certificate holdings is annexed.

**7. ACKNOWLEDGMENTS**

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

By Order of the Board

**ASAD AHMAD**  
Chief Executive

Dated: October 05, 2021

## 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, 2021** 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. 35.886 million (2020: Rs. 38.386 million) in contravention to Clause 10(i) of the Modaraba Regulations, 2021 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 10(ii) of the Modaraba Regulations, 2021.
2. As disclosed in note 15.3, 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. 2.344 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, given 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, 2021 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 5, 2021**

**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, 2021

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:

<b><u>CATEGORY</u></b>	<b><u>NAMES</u></b>
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. The Chief Executive and one Director has the prescribed education and experience required for exemption under Clause 19(2) of Code of Corporate Governance (CCG) Regulations. Accordingly, they are exempt from attending directors' training program pursuant to the Clause 19(2) of the CCG Regulations. One director is yet to do the directors' training course.

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 committee 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 5, 2021

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, 2019 (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, 2021 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:

<b>Reference</b>	<b>Description</b>
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12	The board has not formed an HR and Remuneration Committee.
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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, 2021.

KARACHI: October 05, 2021

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



## Annual Shariah Advisor's Report

*For the period ended June 30, 2021*

We have conducted the Shariah review of First Tri-Star Modaraba for the financial year ended **June 30, 2021** 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:**

The Modaraba is maintaining bank accounts with Islamic banks, similarly some of the current accounts is operating with conventional banks. However, the Modaraba has a PLS (*dormant*) account in HBL conventional banking, this account should be closed promptly.

#### **EQUITY INVESTMENTS:**

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

#### **NON-SHARIAH COMPLIANT SHARES:**

<b>S. No:</b>	<b>Name of Company</b>	<b>Fair Value in Rs.</b>
1	ORIX Leasing Pakistan Ltd	11,716/-
2	Saudi Pak Leasing Ltd	3,000/-
3	Bank Al Habib Ltd.	841/-
4	Soneri Bank Ltd.	843/-
5	Samba Bank Ltd.	187/-
6	Saritow Spinning Mills Ltd	11,191/-
7	Faisal Spinning Mills Limited	42,000/-
8	Nishat Chunian Ltd.	12,170/-
9	Hinopak Motors Limited	12,243/-

### **DIVIDEND PURIFICATION:**

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

<b>S.No</b>	<b>Name of Company</b>	<b>Charitable Amount</b>
1	Bank Al Habib Limited	54/-
2	Orix Leasing Pakistan Limited	1,453/-
3	Soneri Bank Limited	108/-
4	Askari Bank Limited	338/-
5	Samba Bank Limited	21/-
<b>Total</b>		<b>Rs. 1,974/-</b>

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

<b>S. No.</b>	<b>Name of Company</b>	<b>Charity Rate</b>	<b>Charitable Amount</b>
1	Kohinoor Industries Limited	1.07%	2.41/-
2	Nishat (Chunian) Ltd	0.49% NC	1.18/-
3	Nishat Mills Ltd	2.80%	15.6/-
4	Packages Limited	0.93%	54.2/-
5	Sana Industries Ltd	0.03%	0.5/-
<b>Total</b>			<b>Rs. 74/-</b>

### **ADVERTISEMENT:**

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

### **RECOMMENDATIONS:**

- 1) Modaraba should dispose-off, as early as possible, all non-Shariah compliant investments as mentioned above in "NON-SHARIAH COMPLIANT SHARES".
- 2) HBL PLS account should be closed as early as possible, and the profit amount received in this account (*if any*) should be paid into the charity account.

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- 3) Modaraba should pay the purification amount as mentioned under the heading of "DIVIDEND PURIFICATION" to approved charities.
- 4) It is recommended that Modaraba should take prior approval of Shariah Advisor before execution of every transaction and agreement. Similarly it is also advised that Modaraba should take advance approval before launching/offering 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 Muhammad Ibrahim Essa**

CEO & Director

Alhamd Shariah Advisory Services (Pvt.) Limited

04<sup>th</sup> October, 2021



**Mufti Ubaid ur Rahman Zubairi**

Director



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## Balance Sheet as at

	2021	2020
Note	-----Rupees-----	
<b>CAPITAL AND RESERVES</b>		
Authorised Capital 40,000,000 (2020: 40,000,000) Modaraba Certificates of Rs. 10 each	<b>400,000,000</b>	400,000,000
Issued, subscribed and paid-up certificate capital	<b>6</b> 211,631,040	211,631,040
Reserves	<b>7</b> (17,867,983)	(29,241,223)
<b>Certificate holders' equity</b>	<b>193,763,057</b>	182,389,817
Deficit on revaluation of investments	<b>8</b> (1,520,169)	(1,914,121)
<b>NON CURRENT LIABILITIES</b>		
Security deposits	<b>9</b> 1,650,000	335,000
<b>CURRENT LIABILITIES</b>		
Creditors, accrued and other liabilities	<b>10</b> 9,512,288	7,235,586
Due to associated undertakings	519,765	-
Unclaimed dividend	7,321,063	6,134,956
<b>Total current liabilities</b>	<b>17,353,117</b>	13,370,543
<b>Contingencies and commitments</b>	<b>12</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>211,246,005</b>	194,181,239

## June 30, 2021

### NON-CURRENT ASSETS

Fixed assets - tangible	13	13,245,576	54,186,052
Investment property	14	81,201,994	50,687,886
Long term deposit		58,500	58,500
Long term investments	15	35,901,481	38,390,413
<b>Total non-current assets</b>		<b>130,407,551</b>	<b>143,322,851</b>

### CURRENT ASSETS

Short term investments	16	2,936,215	2,463,717
Due from associated undertakings	17	-	46,100,000
Advance and deposits	18	32,971,622	743,392
Other receivables		8,578	8,578
Cash and bank balances	19	44,922,038	1,542,701
<b>Total current assets</b>		<b>80,838,453</b>	<b>50,858,387</b>

### TOTAL ASSETS

<b>211,246,005</b>	<b>194,181,239</b>
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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, 2021**

	Note	2021 -----Rupees-----	2020
Revenue	20	39,363,176	26,755,135
Administrative expenses	21	<u>(23,947,905)</u>	<u>(24,696,051)</u>
		15,415,271	2,059,084
Other income	22	106,036	507,666
Financial charges		<u>(2,878)</u>	<u>(2,752)</u>
		15,518,430	2,563,998
Modaraba Company's Management fee		(1,551,843)	(256,400)
Services sales tax on Managemet Company's fee		(201,740)	(33,332)
Provision for Sindh Workers' Welfare Fund	10.1	<u>(275,297)</u>	
Profit before taxation		13,489,550	2,274,266
Taxation	23	-	-
Profit for the year		<u>13,489,550</u>	<u>2,274,266</u>
Earnings per certificate - basic and diluted	24	<u>0.64</u>	<u>0.11</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, 2021**

	2021	2020
Note	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,489,550	2,274,266
Add/(Less): Item not involving movement of cash:		
Depreciation	10,498,458	11,656,398
Dividend income	(10,103)	(12,506)
	10,488,355	11,643,892
	23,977,905	13,918,158
<b>Changes of Working Capital:</b>		
(Increase) Decrease in current assets	13,871,769	(19,095,517)
Increase (Decrease) in current liabilities	4,626,264	(1,710,696)
	18,498,033	(20,806,213)
Income tax paid	(643,689)	(288,980)
<b>Net cash generated from / (used in) operating activities</b>	41,832,249	(7,177,035)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend income	10,103	12,506
Capital Expenditure Incurred	(72,090)	(232,600)
Purchases of investments	(89,614)	-
Sale proceeds of investments	2,500,000	2,200,000
<b>Net cash generated from investing activities</b>	2,348,399	1,979,906
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,116,310)	-
Long term deposits	1,315,000	230,000
<b>Net cash (used in) / generated from financing activities</b>	(801,310)	230,000
Net increase / (decrease) in cash & cash equivalents during the year	43,379,337	(4,967,129)
Cash & cash Equivalent at the beginning of the year	1,542,701	6,509,830
<b>Cash &amp; cash Equivalent at the end of the year</b>	44,922,038	1,542,701

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, 2021**

	2021	2020
	----- Rupees -----	
Profit for the year	13,489,550	2,274,266
<b>Components of other comprehensive income reflected below equity</b>		
<i>Items that will not be reclassified subsequently to profit and loss account</i>		
Surplus on revaluation of investments classified as 'at fair value through other comprehensive income' - net	393,952	293,989
<b>Total comprehensive income for the year</b>	<b>13,883,502</b>	<b>2,568,255</b>

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

Chief Executive

Director

Director

Chief Financial Officer

**FIRST TRI-STAR MODARABA  
STATEMENT OF CHANGES IN EQUITY**

	Certificate Capital	Capital Reserve	Revenue Reserve		Total
		Statutory Reserve	General Reserve	Accumulated Loss	
-----Rupees-----					
<b>Balance as at June 30, 2019</b>	211,631,040	21,744,353	10,000,000	(63,259,841)	180,115,551
Profit for the year	-	-	-	2,274,266	2,274,266
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,274,266	2,274,266
<b>Balance as at June 30, 2020</b>	<b>211,631,040</b>	<b>21,744,353</b>	<b>10,000,000</b>	<b>(60,985,575)</b>	<b>182,389,817</b>
Profit for the year	-	-	-	13,489,550	13,489,550
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	13,489,550	13,489,550
Final dividend for the year ended June 30, 2020	-	-	-	(2,116,310)	(2,116,310)
<b>Balance as at June 30, 2021</b>	<b>211,631,040</b>	<b>21,744,353</b>	<b>10,000,000</b>	<b>(49,612,336)</b>	<b>193,763,057</b>

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

	2021	2020	2019	2018	2017	2016
<b><u>Financial Position</u></b>						
Paid-up Capital (Rs.)	211,613,040	211,613,040	211,613,040	211,613,040	211,613,040	211,613,040
Reserves (Rs.)	(17,867,983)	(29,241,223)	(31,515,489)	(2,806,047)	(5,125,579)	(7,129,279)
Fixed Assets-WDV (Rs.)	94,447,570	104,873,938	116,297,736	126,477,225	139,263,912	188,842
Investments at Cost (Rs.)	38,837,696	40,854,130	42,760,141	67,537,000	70,825,158	76,066,550
Current Assets (Rs.)	80,838,453	50,858,387	36,146,024	21,487,549	5,491,871	8,584,549
Current Liabilities (Rs.)	17,353,117	13,370,542	15,081,238	11,354,987	12,538,430	19,600,972
<b><u>Income</u></b>						
Gain/(Loss) on sale of investments	-	-	-	-	(631,294)	-
Dividend Income	10,103	12,506	16,832	30,743	50,170	32,614
Net Profit/(Loss) for the year	13,489,550	2,274,266	(20,424,594)	2,319,532	2,003,700	4,133,531
Accumulated Profit/(Loss)	(49,612,336)	(60,985,576)	(63,259,842)	(34,550,400)	(36,406,025)	(37,182,279)
<b><u>Statistics &amp; Ratios</u></b>						
Operating Profit/(Loss) Ratio (%)	0.39	0.08	(102.44)	12.89	55.42	87.10
Net Profit/(Loss) Ratio (%)	0.34:1	0.08:1	(102.44):1	0.13:1	0.29:1	0.44:1
Current Ratio						
Paid-up Value Per Share (Rs.)	10	10	10	10	10	10
Earning/(Loss) Per Share (Rs.)	0.640	0.110	(0.965)	0.110	0.095	0.195
Breakup value per Share (Rs.)	9.16	8.62	8.51	9.87	9.76	9.66
Net Assets (Rs in Million)	193.763	182.389	180.115	208.825	206.505	204.502
Net Asset Value Per Share (Rs.)	9.16	8.62	8.51	9.87	9.76	9.66
Cash Dividend (%)	6%	1%	-	1%	-	-
Bonus Dividend (%)	-	-	-	-	-	-

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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, Main Shahrah-e-Faisal, Karachi.

The Modaraba is engaged in the following activities:

- i) Renting out its building
- ii) Running an educational institution under the name and style of Imperial Tutorial College

### **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 the modaraba regulation 2021; 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 the Modaraba Regulation 2021 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 the Modaraba Regulation 2021 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 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 Initial application of a standard, amendment or an interpretation to an existing standard**

**3.1 Amendments to published accounting and reporting standards which are effective for the year ended June 30, 2021**

There were certain amendments to accounting and reporting standards which became effective for the Company for the current year. However, these are considered not to be relevant or to have any significant impact on the Company’s financial reporting and, therefore, have not been disclosed in these financial statements.

**3.2 Standard, amendments to published accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company**

There is a standard and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company’s financial statements and operations and, therefore, have not been disclosed 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:

	<b>Note</b>
- Useful lives of depreciable assets	5.1
- Provision for income taxes	5.6
- Impairment of non financial assets	5.14

**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

### 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:

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 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;

## **5.6 Taxation**

### **5.6.1 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.

### 5.6.2 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.

### 5.7 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.

### 5.8 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.

### 5.9 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.

### 5.10 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.

### 5.11 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.

### 5.12 Transactions with related parties

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

### 5.13 Profit distribution to certificates holders

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

### 5.14 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.

### 5.15 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.

### 5.16 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.

### 5.17 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.

### 5.18 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.

### 5.19 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.

### 5.20 Details of related parties of the Modaraba

Name of related party	Nature of relationship	Basis of relationship
Image Pakistan Ltd.	Associated undertaking	Common Management
Tri-Star Power Limited	Associated undertaking	Common Management
Tri - Star Energy Limited	Associated undertaking	Common Management
Image Embroidered Fabric	Associated undertaking	Common Management
Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	Common Management
Habib Jamal & Co.	Associated undertaking	Common Management
A.R.T. Modaraba Management (Pvt) Ltd	Associated undertaking	Management Company of the Modaraba

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

	2021	2020		2021	2020
	No of shares			-----Rupees-----	
	<b>11,900,000</b>	11,900,000	Modaraba Certificates of Rs. 10 each fully paid in cash.	<b>119,000,000</b>	119,000,000
	<b>2,180,000</b>	2,180,000	Bonus certificates of Modaraba of Rs. 10 each issued as fully paid.	<b>21,800,000</b>	21,800,000
	<b>7,083,104</b>	7,083,104	Modaraba Certificates of Rs.10 issued for acquisition	<b>70,831,040</b>	70,831,040
				<b>211,631,040</b>	211,631,040

**7 Reserves****Capital reserves**

Statutory Reserve	7.1	<b>21,744,353</b>	21,744,353
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**Revenue reserves**

General Reserve		<b>10,000,000</b>	10,000,000
Accumulated loss		<b>(49,612,336)</b>	(60,985,575)
		<b>(39,612,336)</b>	(50,985,575)
		<b>(17,867,983)</b>	(29,241,223)

7.1 This represents profit set aside to comply with requirement of The Modaraba Regulations, 2021 issued by SECP, which is not available for distribution.

**8 Deficit on revaluation of investments**

Market value of investments		<b>38,837,696</b>	40,854,130
Less: Cost of investments		<b>40,357,865</b>	42,768,251
		<b>(1,520,169)</b>	(1,914,121)
Deficit on revaluation at beginning of the year		<b>(1,914,121)</b>	(2,208,110)
Deficit arisen during the year		<b>393,952</b>	293,989
		<b>(1,520,169)</b>	(1,914,121)

<b>9 Security deposits</b>	9.1	<b>1,650,000</b>	335,000
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9.1 These represent deposits from students without any remuneration.

**10 Creditors, accrued and other liabilities**

Accrued expenses		<b>1,656,393</b>	1,329,244
Management fee		<b>1,551,843</b>	256,400
Sales tax payable on Management fees		<b>285,079</b>	83,339
Workers' Welfare Fund	10.1	<b>275,297</b>	-
Income tax payable		<b>2,343,889</b>	2,166,815
Zakat payable		<b>3,399,788</b>	3,399,788
		<b>9,512,288</b>	7,235,586

10.1 The Sindh Workers' Welfare Fund Act, 2014 (the SWWF Act) became effective from 21 May 2015 and is applicable on the Modaraba due to which Modaraba is liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or taxable income as provided in its income tax return.

**11 Due to associated undertakings**

Payable to Image Pakistan Ltd		<b>519,765</b>	-
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These represents amounts payable in respect of electricity charges.

**12 Contingencies and commitments**

There are no contingencies and commitments as on June 30, 2021 (2020 : Nil)

## Fixed assets - tangible

Particulars	2021								
	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Electric Installation	Kitchen Appliances	Building	Total
-----Rupees-----									
<b>As at June 30 2020</b>									
Cost	119,700	412,250	4,627,279	564,319	232,700	366,200	-	15,425,300	21,747,748
Accumulated Depreciation	(77,963)	(411,257)	(1,660,330)	(391,233)	(213,921)	(69,578)	-	(19,427,114)	(22,251,396)
<i>Net book amount</i>	<u>41,737</u>	<u>993</u>	<u>2,966,949</u>	<u>173,086</u>	<u>18,779</u>	<u>296,622</u>	<u>-</u>	<u>50,687,886</u>	<u>54,186,052</u>
<b>Year ended June 2021</b>									
<i>Gross carrying amount</i>									
Balance July 01, 2020	119,700	412,250	4,627,279	564,319	232,700	366,200	-	70,115,000	76,437,448
Transferred to investment property	-	-	-	-	-	-	-	(54,689,700)	(54,689,700)
Additions	-	-	8,100	-	-	-	63,990	-	72,090
Disposals	-	-	-	-	-	-	-	-	-
Balance June 30, 2021	<u>119,700</u>	<u>412,250</u>	<u>4,635,379</u>	<u>564,319</u>	<u>232,700</u>	<u>366,200</u>	<u>63,990</u>	<u>15,425,300</u>	<u>21,819,838</u>
<i>Accumulated Depreciation</i>									
Balance July 01, 2020	77,963	411,257	1,660,330	391,233	213,921	69,578	-	19,427,114	22,251,396
Transferred to investment property	-	-	-	-	-	-	-	(15,153,149)	(15,153,149)
Depreciation charge for the year	4,174	199	297,505	17,309	5,634	29,662	6,399	1,115,134	1,476,014
Disposals	-	-	-	-	-	-	-	-	-
Balance June 30, 2021	<u>82,137</u>	<u>411,455</u>	<u>1,957,835</u>	<u>408,542</u>	<u>219,555</u>	<u>99,240</u>	<u>6,399</u>	<u>5,389,098</u>	<u>8,574,262</u>
<i>Net book amount</i>	<u>37,563</u>	<u>795</u>	<u>2,677,544</u>	<u>155,777</u>	<u>13,145</u>	<u>266,960</u>	<u>57,591</u>	<u>10,036,202</u>	<u>13,245,576</u>
<b>As at June 30 2021</b>									
Cost	119,700	412,250	4,635,379	564,319	232,700	366,200	63,990	15,425,300	21,819,838
Accumulated Depreciation	(82,137)	(411,455)	(1,957,835)	(408,542)	(219,555)	(99,240)	(6,399)	(5,389,098)	(8,574,262)
<i>Net book amount</i>	<u>37,563</u>	<u>795</u>	<u>2,677,544</u>	<u>155,777</u>	<u>13,145</u>	<u>266,960</u>	<u>57,591</u>	<u>10,036,202</u>	<u>13,245,576</u>
<b>Rate</b>	<u>10%</u>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>

Particulars	2020								
	Air-condition & Refrigeration	Motor Car	Furniture & Fixture	Office Equipment	Computer	Electric Installation	Kitchen Appliances	Building	Total
-----Rupees-----									
<b>As at June 30 2019</b>									
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>-</u>	<u>56,319,874</u>	<u>59,977,862</u>
<b>Year ended June 2020</b>									
<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
Transferred from investment property	-	-	-	-	-	-	-	-	-
Additions	-	-	211,000	21,600	-	-	-	-	232,600
Disposals	-	-	-	-	-	-	-	-	-
Balance June 30, 2020	<u>119,700</u>	<u>412,250</u>	<u>4,627,279</u>	<u>564,319</u>	<u>232,700</u>	<u>366,200</u>	<u>-</u>	<u>70,115,000</u>	<u>76,437,448</u>
<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	<u>77,963</u>	<u>411,257</u>	<u>1,660,330</u>	<u>391,233</u>	<u>213,921</u>	<u>69,578</u>	<u>-</u>	<u>19,427,114</u>	<u>22,251,396</u>
<i>Net book amount</i>	<u>41,737</u>	<u>993</u>	<u>2,966,949</u>	<u>173,086</u>	<u>18,779</u>	<u>296,622</u>	<u>-</u>	<u>50,687,886</u>	<u>54,186,052</u>
<b>As at June 30 2020</b>									
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)
<i>Net book amount</i>	<u>41,737</u>	<u>993</u>	<u>2,966,949</u>	<u>173,086</u>	<u>18,779</u>	<u>296,622</u>	<u>-</u>	<u>50,687,886</u>	<u>54,186,052</u>
<b>Rate</b>	<u>10%</u>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>30%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>

**14 Investment property**

Particulars	Building Rupees
<b>Year ended June 2020</b>	
<i>Gross carrying amount</i>	
Balance July 01, 2020	70,115,000
Transferred from fixed assets - tangible	54,689,700
Additions	-
Disposals	-
Balance June 30, 2021	<u>124,804,700</u>
<i>Accumulated Depreciation</i>	
Balance July 01, 2020	19,427,114
Transferred from fixed assets - tangible	15,153,149
Additions	-
Depreciation charge for the year	9,022,444
Disposals	-
Balance June 30, 2021	<u>43,602,706</u>
<i>Net book amount</i>	<u>81,201,994</u>
<b>As at June 30 2021</b>	
Cost	124,804,700
Accumulated Depreciation	(43,602,706)
<i>Net book amount</i>	<u>81,201,994</u>
<b>Rate</b>	<u>10%</u>

**14.1** The above building is situated on A/33, Central Commercial Area, Block 7/8, KCHSU, Karachi. 4th floor, 5th floor, and 6th floor of the building are in the name of the Modaraba.

**14.2** The fair value of the investment property based on the latest available valuation dated June 29, 2021 is Rs. 298,200,000 (Forced sale value Rs. 238,560,000)

15 Long term investments	Note	2021	2020
		-----Rupees-----	
<i>At fair value through other comprehensive income (FVOCI)</i>			
Shares and certificates of listed companies & associated undertaking	15.1	15,481	4,413
Shares of unlisted associated companies	15.2	<b>35,886,000</b>	38,386,000
		<b><u>35,901,481</u></b>	<u>38,390,413</u>

#### 15.1 Investments in listed companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2021		2020	
			Cost	Fair Value	Cost	Fair Value
2021	2020		Rupees	Rupees	Rupees	Rupees
476	476	Image Pakistan Ltd	5,821	12,733	5,821	3,337
400	400	Tri-Star Power Limited	8,634	2,748	8,634	1,076
			<b>14,455</b>	<b>15,481</b>	14,455	4,413
		Less: Fair Value Adjustment	<b>(1,026)</b>		10,042	
		Fair Value	<b>15,481</b>		4,413	

#### 15.2 Investment of Unlisted companies

No. of Shares/Certificates		Name of Company/ Associated Undertaking	2021	2020
			Cost	Cost
2021	2020		Rupees	Rupees
3,588,600	3,838,600	Tri-Star Energy Limited	<b>35,886,000</b>	38,386,000
(Percentage Holding)				
12%	12%			
		Less: Fair Value Adjustment	-	-

15.3 During the year, the Management has sold the 225,000 shares amounting to Rs. 2,500,000. 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.

#### 16 Short term investments

*At fair value through other comprehensive income (FVOCI)*

No. of Shares/Certificates		Name of Company	2021		2020	
			Cost	Fair Value	Cost	Fair Value
2021	2020		Rupees	Rupees	Rupees	Rupees
437	437	Orix Modaraba	7,305	7,648	7,305	7,866
70	70	First IBL Modaraba	1,860	209	1,860	154
		Orix Leasing Pakistan				
455	434	Limited	9,938	11,716	9,938	10,091
		Saudi Pak Leasing				
132	132	Limited	2,349	3,000	2,349	78
12	12	Bank AL Habib Limited	23	841	23	628
86	86	Soneri Bank Limited	315	843	315	955
28	28	Samba Bank Limited	500	187	500	219

851	851	Saritow Spinning Mills Faisal Spinning Mills	12,375	11,191	12,375	3,310
100	100	Limited	3,115	42,000	3,115	25,100
218	171	Sana Industries Limited	13,849	12,241	11,499	6,840
242	242	Nishat Chunian Limited	2,882	12,170	2,882	7,853
140	140	Nishat Mills Limited	3,533	13,062	3,533	10,921
120	120	Din Textile Mills Ltd. Jubilee Spinning &	-	10,800	-	5,038
127	127	Weaving Mills Limited Kohinoor Industries	2,004	721	2,004	413
301	301	Limited	11,264	2,571	11,264	1,072
20	20	Hinopak Motors Limited Engro Corporation	1,660	12,243	1,660	7,460
6,000	6,000	Limited Sanofi-Aventis (Aventis)	246,032	1,767,660	246,032	1,757,520
100	100	Limited	16,064	92,100	16,064	83,850
259	259	Packages Limited	7,816	141,207	7,816	89,927
2,000	2,000	Cherat Cement Limited	83,600	354,760	83,600	174,340
1,226	613	Shell Pakistan Limited Pakistan State Oil	88,544	214,795	1,280	111,922
1,000	1,000	Company limited	415,215	224,250	415,215	158,160
			<b>930,243</b>	<b>2,936,215</b>	840,629	<b>2,463,717</b>

Fair Value Adjustment  
Fair Value

**2,005,972**  
**2,936,215**

1,623,088  
**2,463,717**

**Companies delisted/Trading suspended**

No. of Shares/Certificates		Name of Company	2021		2020	
			Cost	Fair Value	Cost	Fair Value
2021	2020		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	-
264	264	Dewan Salman Fibre Limited	6,622	-	6,622	-
		Mohammad Farooq Textile Mills				
230	230	Ltd.	7,743	-	7,743	-
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	-
			<b>3,527,167</b>	-	3,527,167	-
			<b>3,512,802</b>	-	<b>3,512,802</b>	-

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



	Note	2021 -----Rupees-----	2020
<b>17 Due from associated undertakings</b>			
<i>Unsecured considered good</i>			
Tri-Star Polyester Limited		-	17,300,000
Image Embroidered Fabric		-	9,000,000
Tri-Star Industries (Pvt.) Limited		-	9,000,000
Indus Battery Industries (Pvt) Ltd		-	9,000,000
Reimbursable from Indus Battery Ind. (Pvt) Ltd		-	1,800,000
		<u>-</u>	<u>46,100,000</u>
17.1 These represents amounts receivable in respect of rental property.			
<b>18 Advance and Deposits</b>			
Advance income tax		1,451,622	743,392
Deposit for purchases	18.1	31,400,000	-
Conservancy charges receivable		120,000	-
		<u>32,971,622</u>	<u>743,392</u>
18.1 The Modaraba has given advance to Habib Jamal & Co. for import of solar panels.			
<b>19 Cash and Bank Balances</b>			
Cash on hand		5,014,471	1,497,695
Bank balances			
- Saving account	19.1	8,434	8,434
- Current account		5,099,133	-
- Cheques-in-hand		34,800,000	36,571
		<u>39,907,568</u>	<u>45,005</u>
		<u>44,922,038</u>	<u>1,542,701</u>
19.1 This carries profit at rates ranging from 4% to 6% ( 2020: 4% to 6%).			
<b>20 Revenue</b>			
Rental income		31,800,000	18,000,000
Tuition fee		4,042,241	5,262,135
Short courses fee		3,125,935	3,493,000
Admission Fee		395,000	-
		<u>39,363,176</u>	<u>26,755,135</u>

	Note	2021 -----Rupees-----	2020
<b>21 Administrative Expenses</b>			
Entertainment		12,361	96,292
Registrar services		333,469	203,795
Postage and telegram		3,890	6,480
General expenses		10,464	2,600
Salaries Administrative		7,263,867	9,177,202
Advertisement		288,672	449,783
Printing and stationary		123,694	245,684
Auditors' remuneration	21.1	270,000	270,000
Fees and subscription		961,605	275,442
Computer Expenses		7,685	5,890
Office Expenses		-	6,351
Conveyance Expenses		8,714	5,993
Security Expenses		61,474	239,543
Comunication charges		1,000	-
Janitorial Expenses		293,770	388,619
Generator Expenses		10,000	45,000
Electric Expenses		1,605,665	593,592
Fuel & Gas		67,830	1,770
Water Expenses		76,336	59,321
Repair & Maintenance		523,084	80,890
Legal Expenses		366,120	-
Elevator Maintenance & Contract		173,000	173,500
Books & Professional Publication		243,443	44,447
Supplies - College Activity		238,406	4,300
Electric Repair & Maintenace		3,260	-
Educational Trips		-	2,967
Medical Expenses		1,390	-
Watch & Ward		235,628	-
Fire Fighting Expenses		16,380	-
IT Services		137,400	160,000
Conferences / Courses / Seminars		25,000	-
Short Courses Consultancy Charges		-	478,600
Canteen Expenses		85,841	6,525
Student Uniform Expenses		-	15,067
Depreciation		10,498,458	11,656,398
		<b>23,947,905</b>	<b>24,696,051</b>

### 21.1 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:

	2021			2020		
	Officers Rupees	Employees Rupees	Total Rupees	Officers Rupees	Employees Rupees	Total Rupees
Salaries & allowances	1,864,000	5,399,867	7,263,867	1,459,467	7,717,735	9,177,202
	<b>1,864,000</b>	<b>5,399,867</b>	<b>7,263,867</b>	<b>1,459,467</b>	<b>7,717,735</b>	<b>9,177,202</b>
Number of persons	<b>1</b>	<b>28</b>	<b>29</b>	<b>1</b>	<b>25</b>	<b>26</b>

21.1.1 No remuneration paid to the directors of the Modaraba Management Company during the year (2020: NIL)

	Note	2021	2020
		-----Rupees-----	
<b>21.2 Auditors' remuneration</b>			
Audit fee		250,000	250,000
Out of pocket		20,000	20,000
		<u>270,000</u>	<u>270,000</u>
<b>22 Other Income</b>			
Dividend income	22.1	10,103	12,506
CAIE Fee		15,828	-
Student Uniform Sales		-	36,500
Canteen Sales		76,105	3,960
Laboratory Charges		4,000	308,400
Prior year adjustment		-	146,300
		<u>106,036</u>	<u>507,666</u>
<b>22.1 Dividend Income</b>			
First Elite Capital Modaraba		-	30
First IBL Modaraba		9	11
Bank Al Habib Ltd		54	42
Din Textile Mills Ltd		-	300
Faisal Spining Mills Ltd		-	3,350
Kohinoor Industries Limited		226	-
Nishat (Chunian) Ltd		242	605
Nishat Mills Ltd		560	560
Orix Leasing Pakistan		1,453	2,496
Orix Modaraba		1,093	1,093
Packages Limited		5,828	3,108
Sana Industries Ltd		171	428
Shell Pakistan Ltd		-	263
Soneri Bank Ltd		108	86
Askari Bank Ltd		338	134
Samba Bank Limited		21	-
		<u>10,103</u>	<u>12,506</u>
<b>23 Taxation</b>			
Current year		-	-
Prior year		-	-
		<u>-</u>	<u>-</u>

The income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profits are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (Second) Amendment Ordinance, 2021. Based on the advice of the legal and tax advisor, the management is of the view that the said exemption is valid for the entire year ended June 30, 2021 and it's withdrawal will be effective from July 1, 2021. Accordingly, no provision for taxation has been made in the financial statements for the current year.

As a result of withdrawal of tax exemption, there are implications of deferred tax which have been assessed by the management as at June 30, 2021 in consultation with its tax advisor. The management and the tax advisor are of the view that since the income of the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not yet envisaged. Therefore, the management has prudently decided not to recognise the deferred tax asset in these financial statements.

**24 Earnings per certificate - basic and diluted**

Profit for the year (Rs.)	<u>13,489,550</u>	<u>2,274,266</u>
No. of Ordinary Certificates	<u>21,163,104</u>	<u>21,163,104</u>
Earnings per certificate (Rs. per certificate) - basic	<u>0.64</u>	<u>0.11</u>

**Diluted**

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

**25 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:

<b>Transactions</b>	<b>Relationship</b>	2021	2020
		-----Rupees-----	
Disposal of unlisted shares of Tri-Star Energy Ltd to Marium Ahmad.	Key management personnel's relative	<u>2,500,000</u>	<u>2,200,000</u>
Rental income - Image Pakistan Ltd.	Associated undertaking	<u>9,000,000</u>	<u>9,000,000</u>
Accrued income received from Image Pakistan Ltd.	Associated undertaking	<u>26,300,000</u>	<u>700,000</u>
Rental income - Habib Jamal & Co.	Associated undertaking	<u>9,000,000</u>	<u>-</u>
Rent income received from Habib Jamal & Co.	Associated undertaking	<u>9,000,000</u>	<u>-</u>
Rental income - Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	<u>9,000,000</u>	<u>9,000,000</u>
Accrued income received from Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	<u>9,000,000</u>	<u>-</u>
Rent income received from Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	<u>9,000,000</u>	<u>-</u>
Reimbursable - Indus Battery Industries (Pvt) Ltd	Associated undertaking	<u>-</u>	<u>1,800,000</u>
Reimbursement of Electric Expenses from Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	<u>1,800,000</u>	<u>-</u>
Accrued income received from Image Embroidered Fabric	Associated undertaking	<u>9,000,000</u>	<u>-</u>
<b>Balance as at the year end</b>			
Payable to Modaraba Management Company		<u>1,551,843</u>	<u>256,400</u>
Investment in Tri - Star Energy Limited	Associated undertaking	<u>35,886,000</u>	<u>38,386,000</u>
Investment in Image Pakistan Ltd.	Associated undertaking	<u>12,733</u>	<u>3,337</u>
Investment in Tri-Star Power Limited	Associated undertaking	<u>2,748</u>	<u>1,076</u>
Receivable from Image Pakistan Ltd.	Associated undertaking	<u>-</u>	<u>17,300,000</u>
Receivable from Image Embroidered Fabric	Associated undertaking	<u>-</u>	<u>9,000,000</u>
Receivable from Indus Battery Ind. (Pvt) Ltd.	Associated undertaking	<u>-</u>	<u>10,800,000</u>
Payable to Image Pakistan Ltd	Associated undertaking	<u>519,765</u>	<u>-</u>

## 26 Financial Instrument And Related Disclosures

### Financial instruments by category

#### At Amortized Cost

Long term deposit	58,500	58,500
Due from associated undertakings	-	46,100,000
Other receivables	8,578	8,578
Cash and bank balances	44,922,038	1,542,701
	<u>44,989,116</u>	<u>47,709,778</u>

#### At fair value through OCI

Long term investments	35,901,481	38,390,413
Short term investments	2,936,215	2,463,717
	<u>38,837,696</u>	<u>40,854,130</u>
	<u>83,826,812</u>	<u>88,563,908</u>

### Financial liabilities

#### At Amortized Cost

Security deposits	1,650,000	335,000
Accrued and other liabilities	3,208,236	1,585,644
Unclaimed profit distributions	7,321,063	6,134,956
	<u>12,179,299</u>	<u>8,055,600</u>

### 26.1 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

### 26.2 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:

	2021	2020
	-----Rupees -----	
Long term deposit	58,500	58,500
Due from associated undertakings	-	27,000,000
Investments	38,837,696	40,854,130
Other receivables	8,578	8,578
Bank balances	39,907,568	45,005
	<u>78,812,341</u>	<u>67,966,213</u>

### Credit risk ratings

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

Bank	Rating			2021	2020
	Short term	Long term	Agency	-----Rupees -----	
Bank Al Habib Limited	A1+	AAA	PACRA	4,310,111	17,092
Al Baraka Bank Limited	A1	A	PACRA	778,818	9,274
Habib Bank Limited	A1+	AAA	JCR- VIS	8,434	8,434
National Bank Of Pakistan	A1+	AAA	PACRA	10,205	10,205
				<u>5,107,567</u>	<u>45,005</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.

### 26.3 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.

	2021			Total
	Upto one year	One year to five years	Over five years	
<b>Financial assets</b>	-----Rupees -----			
Long term deposit	-	58,500	-	58,500
Long term investments	-	35,901,481	-	35,901,481
Due from associated undertakings	-	-	-	-
Short term investments	2,936,215	-	-	2,936,215
Other receivables	8,578	-	-	8,578
Cash and bank balances	44,922,038	-	-	44,922,038
<b>(a)</b>	<u>47,866,831</u>	<u>35,959,981</u>	<u>-</u>	<u>83,826,812</u>
<b>Financial liabilities</b>				
Creditors, accrued and other liabilities	3,208,236	-	-	3,208,236
Security desposits	-	1,650,000	-	1,650,000
Unclaimed profit distributions	7,321,063	-	-	7,321,063
<b>(b)</b>	<u>10,529,299</u>	<u>1,650,000</u>	<u>-</u>	<u>12,179,299</u>
<b>On-balance sheet gap</b>	<b>(a-b)</b>	<u>37,337,532</u>	<u>34,309,981</u>	<u>-</u>
		<u>71,647,513</u>		
	2020			Total
	Upto one year	One year to five years	Over five years	
<b>Financial assets</b>	-----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
<b>(a)</b>	<u>50,114,995</u>	<u>38,448,913</u>	<u>-</u>	<u>88,563,908</u>
<b>Financial liabilities</b>				
Creditors, accrued and other liabilities	1,585,644	-	-	1,585,644
Security desposits	-	230,000	105,000	335,000
Unclaimed profit distributions	6,134,956	-	-	6,134,956
<b>(b)</b>	<u>7,720,600</u>	<u>230,000</u>	<u>105,000</u>	<u>8,055,600</u>
<b>On-balance sheet gap</b>	<b>(a-b)</b>	<u>42,394,395</u>	<u>38,218,913</u>	<u>(105,000)</u>
		<u>80,508,308</u>		

## 26.4 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.

### 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 sentiments, 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, 2021, the fair value of equity exposed to price risk was as follows:

Particulars:	Average Cost	Fair Value	Average Cost	Fair Value
	2021		2020	
	-----Rupees-----			
Equity investments	<u>40,357,865</u>	<u>38,837,696</u>	<u>42,768,251</u>	<u>40,854,130</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, 2021, 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 0.148 million (2020: Rs 0.123 million).

The Modaraba is not exposed to currency risk and interest rate risk.

## 26.5 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.

## 27 Fair Value of Financial Instruments

### 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.

**27.1 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.

	<b>2021</b>			
	Rupees Carrying amount / Cost	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial instruments by category</b>				
<b>At amortised cost</b>				
Cash and bank balances	44,922,038	-	-	-
Other receivables	8,578	-	-	-
Due from associated undertakings	-	-	-	-
Long term deposit	58,500	-	-	-
	<u>44,989,116</u>			
<b>At fair value through other comprehensive income</b>				
Investments	38,837,696	2,951,696	35,886,000	-
<b>Financial liabilities</b>				
<b>At amortised cost</b>				
Security deposits	1,650,000			
Accrued and other liabilities	3,208,236	-	-	-
Unclaimed profit distributions	7,321,063			
	<u>12,179,299</u>			

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

	<b>2020</b>			
	Rupees Carrying amount / Cost	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial instruments by category</b>				
<b>At amortised cost</b>				
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>			
<b>At fair value through other comprehensive income</b>				
Investments	40,854,130	2,468,130	38,386,000	-
<b>Financial liabilities</b>				
<b>At amortised cost</b>				
Security deposits	335,000	-	-	-
Accrued and other liabilities	1,585,644	-	-	-
Unclaimed profit distributions	6,134,956			
	<u>8,055,600</u>			



## 28 Segment Information

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

	June 30, 2021			Total
	Income from property	Educational Institution	Unallocated	
-----Rupees-----				
<b>Segment revenue</b>	31,800,000	7,563,176	-	39,363,176
<b>RESULT</b>				
Segment result				
Operating expenses	9,022,444	13,032,145	1,893,316	23,947,905
Financial and other charges	-		2,878	2,878
	9,022,444	13,032,145	1,896,194	23,950,783
<b>Operating Profit</b>	22,777,556	(5,468,969)	(1,896,194)	15,412,393
Other income	-	-	106,036	106,036
<b>(Loss) / profit for the year</b>	22,777,556	(5,468,969)	(1,790,158)	15,518,430
<b>Other information</b>				
Segment assets	81,201,994	53,837,034	76,206,976	211,246,005
<b>Total assets</b>	81,201,994	53,837,034	76,206,976	211,246,005
Segment liabilities	-	2,556,083	16,447,034	19,003,117
<b>Total liabilities</b>	-	2,556,083	16,447,034	19,003,117
<b>Net assets</b>	81,201,994	51,280,952	59,759,942	192,242,888
<b>Capital expenditure</b>	-	72,090	-	72,090

## 29 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.

**30 Impact of Covid-19**

In the light of on going COVID-19 pandemic, the Modaraba has reviewed its exposure to business risk and has not identified any risks that could materially impact the financial performance or position of the Modaraba. Consequently there was no significant impact of Covid -19 pandemic on the Modaraba's operations or recognition and measurement of assets and liabilities during the year ended June 30, 2021.

**31 Number of employees**

Total number of employees at end of the year	<u>29</u>	<u>26</u>
Average number of employees for the year	<u>28</u>	<u>11</u>

**32 Non-Adjusting Events After The Balance Sheet Date**

Subsequent to the year ended June 30, 2021, the Board of Directors of the Modaraba Management Company has declared a final dividend of Rs. 0.60 per certificate, amounting to total profit distribution of Rs. 12,697,862/- (2020: 2,116,310) in its meeting held on October 05, 2021.

These financials statements do not reflect the proposed dividend, which will be accounted for in the statement of changes of equity as appropriation from unappropriated profit in the year ending June 30, 2022.

**33 Date of Authorization for Issue**

These financial statements were authorized for issue on October 5, 2021 by the Board of Directors of the Modaraba Management Company.

**34 General**

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

Chief Executive

Director

Director

Chief Financial Officer

## Pattern of Certificate Holding As at June 30, 2021

Number of Certificate holders	Certificate Holdings			Total Certificates Held
	From		To	
476	1	-	100	25,999
711	101	-	500	207,124
567	501	-	1,000	405,150
648	1,001	-	5,000	1,354,892
86	5,001	-	10,000	588,462
22	10,001	-	15,000	265,647
13	15,001	-	20,000	224,686
6	20,001	-	25,000	138,155
6	25,001	-	30,000	171,413
2	30,001	-	35,000	67,275
3	35,001	-	40,000	113,153
1	45,001	-	50,000	46,780
2	50,001	-	55,000	104,625
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	195,001	-	200,000	198,621
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	830,001	-	835,000	832,440
1	1,420,001	-	1,425,000	1,422,000
1	2,525,001	-	2,530,000	2,526,120
1	3,985,001	-	3,990,000	3,987,518
1	5,485,001	-	5,490,000	5,486,092
<b>2,560</b>				<b>21,163,104</b>

### CATEGORIES OF CERTIFICATE HOLDERS

Aa at June 30, 2021

Categories of Certificate holders	No. of Certificate Held	Percentage
Directors, Chief Executive Officer and their Spouse and Minor Children	4,945,402	23.37
Associated Companies, Undertakings and Related Parties	5,319,187	25.13
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	158,116	0.75
Joint Stock Companies	104,268	0.49
General Public (Local)	10,313,974	48.74
Other Companies	39,826	0.19
	<b>21,163,104</b>	<b>100.00</b>