

First Tri-Star Modaraba

(Annual Report 1997)

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Board of Directors

DIRECTORS OF MODARABA COMPANY

MR. MOHAMMED AHMAD ISMAIL
Chairman & Chief Executive

MR. RASHID AHMAD
MR. TAHIR AHMAD
MR. ASAD AHMAD

AUDITORS

HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

BANKERS

BANK AL-HABIB LTD.
CITIBANK N.A.
HABIB BANK LTD.

REGISTERED OFFICE

F/498, S.I.T.E.,
P.O. Box 3683,
Karachi-75700.

MANAGEMENT COMPANY

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

Report of the Directors

of

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

For the year ended June 30, 1997.

The Board of Directors of A.R.T. Modaraba Management (Pvt) Ltd., present the 7th Annual Report of First Tri-Star Modaraba together with Audited Accounts for the year ended June 30, 1997.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	1997	1996
	(Rupees in 000's)	
Total Operating (Loss)/Income	(2,367)	17,447
Less: Total Operating Expenses	(4,318)	4,300
	-----	-----
Operating (Loss)/Profit	(6,685)	13,147
Less: Modaraba Company's Management Fee	--	626
	-----	-----

(Loss)/Profit before Taxation	(6,653)	12,521
Provision for Taxation	--	(309)
	-----	-----
(Loss)/Profit after Taxation	(6,653)	12,830
Unappropriated profit brought forward	12,098	1,843
	-----	-----
	5,445	14,673
Appropriation:		
Transfer to Statutory Reserve	--	2,575
	-----	-----
Un-appropriated Profit carried forward	5,445	12,098
	=====	=====

2. DIVIDEND

The Board in its meeting held on December 31, 1997 has not recommended any Dividend this year.

3. BUSINESS

Your Modaraba has continued business in Trading and Investment. The business as a whole is reducing in all segments and its difficult to predict when it will pick up again

4. FUTURE PROSPECTS

Future prospects are very much uncertain. The general economic conditions do not permit to forecast anything accurately. There are no indications for optimism. We can only hope any pray that the situation will change for the better.

5. BOARD OF DIRECTORS

The present Board of Directors assumed their office with effect from February 16, 1997 for 3 years.

6. AUDITORS

The present auditors M/s. Hyder Bhimji & Co., are due for retirement and being eligible offer themselves for reappointment for the year ending June 30, 1998.

7. ACKNOWLEDGMENTS

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

Karachi: the December 31, 1997.

Auditors' Report to the Certificate Holders

We have audited the annexed Balance Sheet of FIRST TRI-STAR MODARABA which are representation of Modaraba Company's [A.R.T. MODARABA MANAGEMENT (PVT) LTD.] as at June 30, 1997 and the related profit and loss account and cash flow statement together with the notes forming part thereof, 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 and after due verification thereof, we report that:

(a) in our opinion proper books of accounts 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 and Modaraba Companies and Modaraba Rules, 1981.

(b) in our opinion:

(i) the Balance Sheet and the 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 and Modaraba Companies and Modaraba Rules, 1981; and

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

(iii) the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modarabra.

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the related Profit and Loss Account and Cash Flow Statement, together with the notes give the information required by the Modaraba Ordinance, 1980 and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 1997 and of the loss and the cash flow statement for the year then ended; and

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

Sd/-

HYDER BHIMJI & CO.

Chartered Accountants

Karachi: the December 3, 1997.

Balance Sheet As At June 30,1997

	Note No.	1997 Rupees	1996 Rupees
AUTHORISED FUND			
20,000,000 Modaraba Certificates of Rs.10/- each		200,000,000	200,000,000
		=====	=====
ISSUED, SUBSCRIBED AND PAID-UP FUND			
14,080,000 Modaraba Certificates of Rs. 10/- each	3	140,800,000	140,800,000
RESERVE AND SURPLUS			
General Reserve		10,000,000	10,000,000
Statutory Reserve		8,130,000	8,130,000
Unappropriated profit		5,445,041	12,098,066
		-----	-----
		23,575,041	30,228,066
		-----	-----
		164,375,041	171,028,066
LONG TERM LIABILITY			
Lease Security Deposits		--	261,068
CURRENT LIABILITIES			
Short Term Borrowings	4	4,883,456	37,079,041
Creditors, Accrued and Other Liabilities	5	41,079	1,643,550
Unclaimed Profit Distribution		821,303	1,941,285
		-----	-----
		5,745,838	40,663,876
		-----	-----
		170,120,879	211,953,010
		=====	=====
TANGIBLE FIXED ASSETS			
Leased out Assets	6	--	733,981
Operating Assets in own use	7	531,687	630,949
		-----	-----
		531,687	1,364,930
		=====	=====
INVESTMENTS			
In Shares	8	139,023,473	156,895,420
in N.I.T. Units		582,868	582,868
		-----	-----
		139,606,341	157,478,288
CURRENT ASSETS			
Trading Stock	9	2,092,228	28,841,357
Trade Debts (Unsecured considered good)		24,372,858	23,883,308
Advances, Pre-payments and other Receivables	10	2,854,197	38,394
Cash and Bank Balances	11	663,568	346,733
		-----	-----
		29,982,851	53,109,792
		-----	-----
		169,589,192	210,588,080
		-----	-----

170,120,879 211,953,010
 =====

Note: The annexed notes form an integral part of these accounts.

Profit and Loss Account
For the year ended June 30, 1997

	Note	1997 Rupees	1996 Rupees
Operating (Loss)/Income	12	(2,367,418)	17,447,551
(Add)/Less: Operating Expenses	13	1,277,716	2,245,476
Financial charges	14	3,040,491	2,054,287
		(4,318,207)	4,299,763
		-----	-----
		(6,685,625)	13,147,788
Modaraba Company's Management Fee		--	(626,085)
		-----	-----
		(6,685,625)	12,521,703
Prior Year Adjustment		32,600	--
		-----	-----
(Loss)/Profit before Taxation		(6,653,025)	12,521,703
Provision for Taxation		--	(308,746)
		-----	-----
(Loss)/Profit after Taxation		(6,653,025)	12,830,449
Un-appropriated profit brought forward		12,098,066	1,842,617
		-----	-----
Profit available for appropriation		5,445,041	14,673,066
Appropriation:			
Transfer to Statutory Reserve		--	2,575,000
		-----	-----
Un-appropriated profit carried forward		5,445,041	12,098,066
		=====	=====

Note: The annexed notes form an integral part of these accounts.

MOHAMMED AHMAD ISMALL
 Chief Executive
 ART. Modaraba
 Management (Pvt) Ltd.

ASAD AHMAD
 Director
 A.R.T. Modaraba
 Management (Pvt) Ltd.

TAHIR AHMAD
 Director
 A.R.T. Modaraba
 Management (Pvt) Ltd.

Cash Flow Statement
For the year ended June 30, 1997

	Note	1997 Rupees	1996 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		(6,653,025)	12,521,703
Add: Items not involving movement of cash:			
Amortization of leased assets		508,463	879,078
Depreciation		99,262	120,339
Amortization of deferred cost		--	526,600
		-----	-----
		(6,045,300)	14,047,720
Less: Income Tax paid		--	146,254
Operating cash before working capital changes		(6,045,300)	13,901,466
CHANGES OF WORKING CAPITAL	15		
(Increase)/Decrease in Current Assets		23,443,777	(51,272,690)
Increase/(Decrease) in Current Liabilities		(1,602,471)	(462,206)
		-----	-----
Net changes in Working Capital		21,841,306	(51,698,896)
		-----	-----
Net Cash Flow from Operating Activities		15,796,006	(37,797,430)

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of investments	(156,300)	(1,831,734)
Sale of investments	18,028,247	21,055,634
Net Cash Flow from Investing Activities	17,871,947	19,223,900

CASH FLOW FROM FINANCING ACTIVITIES

Lease Security Deposit	(35,550)	--
Profit distributed	(1,119,983)	(8,833,843)
Net Cash Flow from Financing Activities	(1,155,533)	(8,833,843)
Net Increase/(Decrease) in cash & cash equivalent	32,512,420	(27,407,373)
Cash and cash equivalent at the beginning of the year	(36,732,308)	(9,324,935)
Cash and cash equivalent at the end of June 30	16	(4,219,888)
	=====	=====

Notes to the Accounts

For the year ended June 30, 1997

1. LEGAL STATUS AND NATURE OF BUSINESS

First Tri-Star Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by A.R.T.. Modaraba Management (Pvt) Limited.

The Modaraba is a perpetual, multipurpose, multidimensional Modaraba and is primarily engaged in leasing of Plant and Machinery, Motor Vehicles (both commercial and private), Computer etc., providing finance on Morabaha and Musharika arrangements, purchases and sales of marketable securities and trading of various items.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Overall Valuation Policies**

These accounts have been prepared under the historical cost convention.

(b) Fixed Assets:**(i) Assets Leased out and Amortization:**

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

(ii) Assets in Own Use and Depreciation:

Operating assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on addition while no depreciation is charged on assets disposed off during the year.

(c) Trading Stock:

These are stated at cost determined on the moving average basis except for goods-in-transit which are stated at invoice value plus other charges paid thereon.

(d) Investments:

(i) Investments are valued at cost.

(ii) Profit or loss on sale of investments is accounted for in the year in which it arise.

(iii) Full provision is made against permanent diminution in the value of investments.

(e) Revenue Recognition:.

(i) Rental income is recognised as and when lease rentals become due on a systematic basis over the lease period.

(ii) Profit on Morabaha finance is recorded on accrual basis, calculated on number of days funds were utilised.

(iii) Dividend income is recognised on receipt basis.

(iv) Sales of goods are recognised on despatch of goods to customers.

(v) Deferred Cost:

Preliminary expenses and incurred on the issue of Modaraba certificates will be written off over the period of 5 years.

1997
Rupees

1996
Rupees

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

11,900,000 Modaraba Certificates of Rs.10/- each fully paid in cash.	119,000,000	119,000,000
2,180,000 Modaraba Certificates of Rs. 10/- each issued as fully paid bonus Certificates.	21,800,000	21,800,000
	-----	-----
	140,800,000	140,800,000
	=====	=====

4. SHORT TERM BORROWING

4.1 From Commercial Bank (Secured)	4,883,456	35,879,041
4.2 From Associated Undertaking (Unsecured)	--	1,200,000
	-----	-----
	4,883,456	37,079,041
	=====	=====

4.1 i) Secured by pledge over shares of public limited companies.

ii) Carries mark-up @50 paise thousand per day,

4.2 Represents interest free current account balance repayable on demand.

1997
Rupees

1996
Rupees

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued Expenses	20,949	1,003,067
Modaraba Management Fee	--	626,085
Other Liabilities	20,130	14,398
	-----	-----
	41,079	1,643,550
	=====	=====

6. LEASED OUT ASSETS

Particulars	Cost as on 01.07.96	Addition/ (Disposal) during the year	Cost as on 30.06.97	Amortization during the year	Accumulated Amortization as on 30.06.97	Written Down Value as on 30.06.97
Vehicle	6,450,423	(225,518)	6,224,905	508,463	6,224,905	--
	-----	-----	-----	-----	-----	-----
1997	6,450,423	(225,518)	6,224,905	508,463	6,224,905	--
	-----	-----	-----	-----	-----	-----
1996	7,024,677	(150,000)	6,874,677	879,078	6,140,696	733,981
	-----	-----	-----	-----	-----	-----

7. DEPRECIATION SCHEDULE OF ASSETS IN OWN USE

PARTICULARS	Cost as on 01.07.96	Addition/ (Disposal) during the year	Cost as on 30.06.97	Rate %	Depreciation Charged for year	Accumulated Depreciation as on 30.06.97	Written Down value as on 30.06.97
Motor Car	896,150	--	896,150	20%	70,601	613,745	282,405
Furniture & Fixture	107,900	--	107,900	10%	7,032	44,609	63,291
Motorcycle	29,400	--	29,400	20%	1,734	22,464	6,936
Office Equipment	256,432	--	256,432	10%	17,283	100,881	155,551
Computer	43,700	--	43,700	10%	2,612	20,196	23,504
	-----	-----	-----	-----	-----	-----	-----
1997 Rupees	1,333,582	--	1,333,582		99,262	801,895	531,687
	-----	-----	-----	-----	-----	-----	-----
1996 Rupees	1,333,582	--	1,333,582		120,339	702,633	630,949
	-----	-----	-----	-----	-----	-----	-----

8. INVESTMENT IN SHARES

The holdings are in ordinary shares/certificates of the face value of Rs. 10/- each.

No. of Shares/Certificates		Q U O T E D: Associated Undertakings	Cost	
1997	1996		1997	1996
4,001,455	4,001,455	Second Tri-Star Modaraba	28,057,681	28,057,681
1,799,081	1,799,081	Tri-Star Polyester Ltd.	25,224,133	25,224,133
1,214,900	1,214,900	Tri-Star Power Ltd.	23,557,122	23,557,122
3,740,000	3,740,000	Tri-Star Energy Ltd. (Un-quoted)	37,400,000	37,400,000
			-----	-----
			114,238,936	114,238,936
			=====	=====
OTHERS				
5,000	1,000	12th ICP Mutual Fund Ltd.	160,640	120,640
302	15,802	First Crescent Modaraba	4,545	235,650
37,537	37,537	First Grindlays Modaraba	820,551	820,551
25,570	25,570	First IBL Modaraba	681,180	681,180
--	117,782	Schon Modaraba	--	1,000,000
1,280	7,280	Orix Leasing Pakistan Ltd.	72,893	414,473
35,533	31,980	Standard Chartered Leasing Ltd.	923,304	923,304
13,733	111,138	Askari Commercial Bank Ltd.	462,649	4,310,734
93,690	107,900	Bank AI-Habib Ltd.	3,918,127	4,963,627
10,000	16,500	Crescent Investment Bank Ltd.	469,390	774,500
400	531	Islamic Investment Bank Ltd.	2,757	3,660
4,549	11,695	Muslim Commercial Bank Ltd.	185,496	476,910
63,238	63,238	Soneri Bank Ltd.	2,526,950	2,526,950
500	500	Business & Ind. Insurance Co. Ltd.	5,000	5,000
40,750	70,750	Azam Textile Mills Ltd.	741,875	741,875
33,100	33,100	Faisal Spinning Mills Ltd.	1,032,003	1,032,003
17,671	17,671	Mohib Textile Mills Ltd.	897,530	897,530
10,000	10,000	Sana Industries Ltd.	953,375	953,375
25,000	25,000	Umer Fabrics Ltd.	538,075	538,075
102,350	102,350	Mohib Exports Ltd.	2,436,070	2,436,070
27,654	38,777	Crescent Textile Mills Ltd.	1,451,275	2,238,475
21,758	18,920	Gul Ahmed Textile Mills Ltd.	670,019	670,019
8,298	7,544	Jubilee Spinning & Weaving Mills Ltd.	141,414	141,414
15,525	15,525	Kohinoor Industries Ltd.	610,100	610,100
49,230	49,230	Mohd. Farooq Textile Mills Ltd.	1,667,083	1,667,083
10,000	10,000	Sunshine Cloth Ltd.	160,900	160,900
6,600	6,600	Dewan Sugar Mills Ltd.	431,036	431,036
600	978,600	Mian Mohd. Sugar Mills Ltd.	6,000	9,786,000
--	4,146	International Industries Ltd.		26,063

5,520	4,600	Hino Pak Motors Ltd.	455,850	455,850
8,275	13,120	Engro Chemical (Pakistan) Ltd.	403,334	799,379
10,000	10,000	Hoechst Pakistan Ltd.	1,606,400	1,606,400
100	264	Packages Ltd.	7,816	23,057
2,000	2,000	Cherat Cement Ltd.	83,600	83,600
5,000	5,000	Tri-Pack Films Ltd.	101,000	101,000
82	82	Shell Pakistan Ltd.	--	--
10,000	--	FFC Jordan Fertilizer Co. Ltd.	156,300	--
			-----	-----
			139,023,473	156,895,420
			=====	=====

Market Value Rs.69,166,953 1996: Rs.81,627,247)

1997	1996
Rupees	Rupees

9. TRADING STOCK (AT COST)

In Hand	2,092,228	28,841,357
	=====	=====

10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Dividend Income Receivable	2,831,269	--
Advance Income Tax	12,928	8,394
Other Receivables	10,000	30,000
	-----	-----
	2,854,197	38,394
	=====	=====

1997	1996
Rupees	Rupees

11. CASH AND BANK BALANCES

Cash -in-hand	595,120	220,131
Bank Balances:		
In Current Accounts	66,649	124,273
In PLS Accounts	1,799	2,328
	68,448	126,601
	-----	-----
	663,568	346,732
	=====	=====

12. OPERATING (LOSS)/INCOME

Lease Rentals	735,239	1,320,780
(Loss)/Gain on Sale of Investments	(8,049,387)	13,879,377
Dividend Income	3,562,842	1,270,873
Trading Income (12.1)	1,383,643	975,896
Other Income	245	625
	-----	-----
	(2,367,418)	17,447,551
	=====	=====

12.1 TRADING INCOME

Sales	30,225,000	32,170,135
Cost of Goods Sold		
Opening Stock	28,841,357	1,188,000
Add: Purchases	2,092,228	58,847,596
	30,933,585	60,035,596
Less: Closing Stock	(2,092,228)	(28,841,357)
	-----	-----
	28,841,357	31,194,239
	-----	-----
	1,383,643	975,896
	=====	=====

1997	1996
------	------

	Rupees	Rupees
13. OPERATING EXPENSES		
Salaries	--	218,105
Fees & Subscription	220,800	45,486
Stationery & Printing	100,951	230,833
Postage & Telegram	13,217	22,526
Legal & Professional Charges	77,520	10,860
Insurance	43,036	48,438
Travelling & Conveyance	3,631	14,557
Vehicle Upkeep	21,471	23,965
Telephone	66,396	41,620
General Expenses	--	3,337
Auditors' Remuneration 13.1	27,050	10,000
Entertainment	15	244
Zakat	28,905	--
Registrar Services	61,399	49,488
Fine and Penalties	5,600	--
Amortization of Deferred Cost	--	526,600
Amortization of Leased Assets	508,463	879,078
Depreciation	99,262	120,339
	-----	-----
	1,277,716	2,245,476
	=====	=====
13.1 Auditors' Remuneration		
Audit Fee, Tax & Duty	11,050	10,000
Special verification and certification charges	10,000	--
	-----	-----
	21,050	10,000
Out of Pocket Expenses including prior year	6,000	--
	-----	-----
	27,050	10,000
	=====	=====
14. FINANCIAL CHARGES		
Mark-up on Short Term Running Finance	3,029,191	2,034,365
Bank Charges	6,553	19,923
Central Excise Duty	4,747	--
	-----	-----
	3,040,491	2,054,288
	=====	=====
	1997	1996
	Rupees	Rupees
15. WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets		
Trading Stock	26,749,129	(27,653,357)
Trade Debts	(489,550)	(23,883,308)
Advances, pre-payments and other receivables	(2,815,802)	263,975
	-----	-----
	23,443,777	(51,272,690)
	=====	=====
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,602,471)	(340,504)
Rentals received in advance	--	(85,702)
	-----	-----
	(1,602,471)	(426,206)
	-----	-----
Net working capital changes	21,841,306	(51,698,896)
	=====	=====
16. CASH AND CASH EQUIVALENT		

Cash and cash equivalent comprises of the following items as included in the Balance Sheet.

Cash and Bank Balance	663,568	346,733
Short Term Borrowing	(4,883,456)	(37,079,041)
	-----	-----
	(4,219,888)	(36,732,308)
	=====	=====

17. GENERAL

17.1 Figures have been rounded off to the nearest rupee.

17.2 Previous year's figures have been re-arranged and re-grouped, wherever necessary, for the purpose of comparison.

PATTERN OF SHARE HOLDINGS AS AT 30TH JUNE 1997

NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HOLDINGS		TOTAL CERTIFICATE HELD
291	1	--	100
440	101	--	500
396	501	--	1000
688	1001	--	5000
110	5001	--	10000
31	10001	--	15000
17	15001	--	20000
19	20001	--	25000
6	25001	--	30000
5	30001	--	35000
14	35001	--	40000
6	40001	--	45000
10	45001	--	50000
1	55001	--	60000
2	65001	--	70000
5	75001	--	80000
1	80001	--	85000
1	85001	--	90000
1	90001	--	95000
2	95001	--	100000
1	110001	--	115000
1	115001	--	120000
1	205001	--	210000
1	410001	--	415000
1	610001	--	615000
1	700001	--	705000
1	1105001	--	1110000
1	1395001	--	1400000
1	3020001	--	3025000
-----	-----	-----	-----
2,055			14,080,000
-----	-----	-----	-----

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER OF CERTIFICATE HOLDERS	CERTIFICATES HELD	PERCENTAGE
1. INDIVIDUALS	2,025	6,373,949	45.270
2. INVESTMENT COMPANIES	6	273,675	1.944
3. INSURANCE COMPANIES	2	8,300	0.059
4. JOINT STOCK COMPANIES	14	2,612,911	18.558
5. FINANCIAL INSTITUTIONS	2	642,440	4.563
6. MODARABA	6	4,168,725	29.606
	-----	-----	-----
TOTAL	2,055	14,080,000	100.000
	-----	-----	-----