

First Tri-Star Modaraba
ANNUAL REPORT 1998

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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, 1998.

The Board of Directors of AR.T. Modaraba Management (Pvt) Ltd., present the 8th Annual Report of First Tri-Star Modaraba together with Audited Accounts for the year ended June 30, 1998.

1. FINANCIAL RESULTS

Financial results are summarized as follows:

	1998	1997
	(Rupees in 000's)	
Total Operating (Loss)	(448)	(2,367)
(Add): Total Operating Expenses	(1,125)	(4,318)
	-----	-----
Operating (Loss)	(1,573)	(6,685)
Unappropriated profit brought forward	5,445	12,098
	-----	-----
Unappropriated profit carried forward	3,871	5,445
	=====	=====

2. DIVIDEND

The Board in its meeting held on December 26, 1998 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. 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, 1999.

7. ACKNOWLEDGMENTS

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

On behalf of the Board

ASAD AHMAD

Executive Director

Karachi: the December 26, 1998.

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 [AR.T. MODARABA MANAGEMENT (PVT) LTD.] as at June 30, 1998 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 Modaraba.

(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, 1998 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 17, 1998.

Balance Sheet As At June 30, 1998

	Note No.	1998 Rupees	1997 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		3,871,949	5,445,041
		-----	-----
		22,001,949	23,575,041
		-----	-----
		162,801,949	164,375,041
CURRENT LIABILITIES			
Short Term Borrowings	4	2,071,278	4,883,456
Creditors, Accrued and Other Liabilities	5	2,313,892	41,079
Unclaimed Profit Distribution		815,439	821,303
		-----	-----
		5,200,609	5,745,838
		-----	-----
		168,002,558	170,120,879
		=====	=====
TANGIBLE FIXED ASSETS			
Operating Assets in own use	6	449,585	531,687
INVESTMENTS			
In Shares	7	127,965,869	139,023,473
In N.I.T. Units		-	582,868
		-----	-----
		127,965,869	139,606,341
CURRENT ASSETS			
Trading Stock	8	36,062,345	2,092,228
Trade Debts (Unsecured considered good)		-	24,372,858
Advances, Pre-payments and other Receivables	9	2,829,428	2,854,197
Cash and Bank Balances	10	695,331	663,568
		-----	-----
		39,587,104	29,982,851
		-----	-----
		168,002,558	170,120,879
		=====	=====

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

MOHAMMED AHMAD ISMAIL

Chief Executive

Karachi: the December 17, 1998.

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

ASAD AHMAD

Director

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

TAHIR AHMAD

Director

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

Profit and Loss Account

For the year ended June 30, 1998

	Note	1998 Rupees	1997 Rupees
--	------	----------------	----------------

Operating (Loss)	11	(447,876)	2,367,418)
(Add)/Less: Operating Expenses	12	443,162	1,277,716
Financial charges	13	682,054	3,040,491
		-----	-----
		(1,125,216)	(4,318,207)
		-----	-----
		(1,573,092)	(6,685,625)
Prior Year Adjustment		-	32,600
		-----	-----
		(1,573,092)	(6,653,025)
Un-appropriated profit brought forward		5,445,041	12,098,066
		-----	-----
Profit available for appropriation		3,871,949	5,445,041
		=====	=====

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

MOHAMMED AHMAD ISMALL	ASAD AHMAD	TAHIR AHMAD
Chief Executive	Director	Director
A.R.T. Modaraba	A.R.T. Modaraba	A.R.T. Modaraba
Management (Pvt) Ltd.	Management (Pvt) Ltd.	Management (Pvt) Ltd.

Cash Flow Statement

For the year ended June 30, 1998.

	Note	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before Taxation		(1,573,092)	(6,653,025)
Add: Items not involving movement of cash:			
Amortization of leased assets		-	508,463
Depreciation		82,102	99,262
		-----	-----
		(1,490,990)	(6,045,300)
CHANGES OF WORKING CAPITAL			
	14		
(Increase)/Decrease in Current Assets		(9,572,490)	23,443,777
Increase/(Decrease) in Current Liabilities		2,272,813	(1,602,471)
		-----	-----
Net changes in Working Capital		(7,299,677)	21,841,306
		-----	-----
Net Cash Flow from Operating Activities		15,796,006	(37,797,430)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments		(35,480)	(156,300)
Sale of investments		11,675,952	18,028,247
		-----	-----
Net Cash Flow from Investing Activities		11,640,472	17,871,947
CASH FLOW FROM FINANCING ACTIVITIES			
Lease Security Deposit		-	(35,550)
Profit distributed		(5,863)	(1,119,983)
		-----	-----
Net Cash Flow from Financing Activities		(5,863)	(1,155,533)
Net Increase/(Decrease) in cash & cash equivalent		2,843,942	32,512,420
Cash and cash equivalent at the beginning of the year		(4,219,888)	(36,732,308)
		-----	-----
Cash and cash equivalent at the end of June 30	15	(1,375,946)	(4,219,888)
		=====	=====

Notes to the Accounts

For the year ended June 30, 1998

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.

(vii) Deferred Cost:

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

1998	1997
Rupees	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

From Commercial Bank (Secured) 2,071,278 488,346
=====

1997 **1998**
Rupees **Rupees**

5. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade Creditors 2,206,509 -
Accrued Expenses 107,383 20,949
Other Liabilities - 20,130

2,313,892 41,079
=====

6. DEPRECIATION SCHEDULE OF ASSETS IN OWN USE

PARTICULARS	Cost	Addition/ (Disposal) during the year	Cost	Rate %	Depreciation Accumulated		Written Down value on 30.06.98
	as on 01.07.97		as on 01.07.98		Charged for year	as on 30.06.98	
Motor Car	896,150	-	896,150	20%	56,481	670,226	225,924
Furniture & Fixture	107,900	-	107,900	10%	6,329	50,938	56,962
Motorcycle	29,400	-	29,400	20%	1,387	23,851	5,549
Office Equipment	256,432	-	256,432	10%	15,555	116,436	139,996
Computer	43,700	-	43,700	10%	2,350	22,546	21,154

1998 Rupees	1,333,582	-	1,333,582		82,102	883,997	449,585
=====							
1997 Rupees	1,333,582	-	1,333,582		99,262	801,895	531,687
=====							

7. 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	
1998	1997		1998	1997
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	5,000	12th ICP Mutual Fund Ltd.	160,640	160,640
302	302	First Crescent Modaraba	4,545	4,545
1,599	37,537	First Grindlays Modaraba	32,381	820,551
70	25,570	First IBL Modaraba	1,860	681,180

1,280	1,280	Orix Leasing Pakistan Ltd.	72,893	72,893
9,136	35,533	Saudi Pak Leasin9 Ltd.	215,904	923,304
244	13,733	Askari Commercial Bank Ltd.	4,215	462,649
1,368	93,690	Bank Al-Habib Ltd.	49,777	3,918,127
-	10,000	Crescent Investment Bank Ltd.	-	469,390
400	400	Islamic Investment Bank Ltd.	2,757	2,757
49	4,549	Muslim Commercial Bank Ltd.	1,986	185,496
285	63,238	Soneri Bank Ltd.	9,470	2,526,950
500	500	Business & Ind. Insurance Co. Ltd.	5,000	5,000
40,750	40,750	Azam Textile Mills Ltd.	741,875	741,875
2,600	33,100	Faisal Spinning Mills Ltd.	81,013	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
25,151	27,654	Crescent Textile Mills Ltd.	1,265,165	1,451,275
21,758	21,758	Gul Ahmed Textile Mills Ltd.	670,019	670,019
9,127	8,298	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	600	Mian Mohd. Sugar Mills Ltd.	6,000	6,000
5,520	5,520	Hino Pak Motors Ltd.	455,850	455,850
7,216	8,275	Engro Chemical (Pakistan) Ltd.	305,854	403,334
10,000	10,000	Hoechst Pakistan Ltd	1,606,400	1,606,400
112	100	Packages Ltd.	7,816	7,816
2,000	2,000	Cherat Cement Ltd.	83,600	83,600
5,000	5,000	Tri-Pack Films Ltd.	101,000	101,000
123	82	Shell Pakistan Ltd.	5,330	-
	10,000	FFC Jordan Fertilizer Co. Ltd.	-	156,300
			-----	-----
			127,965,869	139,023,473
			=====	=====

Market Value Rs.50,356,052 (1997: Rs.69,166,953)

	1998	1997
	Rupees	Rupees
8. TRADING STOCK (AT COST)		
In Hand	36,062,345	2,092,228
	=====	=====
9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Dividend Income Receivable	2,814,769	2,831,269
Advance Income Tax	14,659	12,928
Other Receivables	-	10,000
	-----	-----
	2,829,428	2,854,197
	=====	=====
	1998	1997
	Rupees	Rupees
10. CASH AND BANK BALANCES		
Cash-in-hand	676,149	595,120
Bank Balances:		
In Current Accounts	17,255	66,649
In PLS Accounts	1,927	1,799
	-----	-----
	19,182	68,448
	-----	-----
	695,331	663,568

=====

11. OPERATING (LOSS)

Lease Rentals	-	735,239
(Loss)/Gain on Sale. of Investments	(3,637,647)	(8,049,387)
Dividend Income	418,741	3,562,842
Trading Income (12.1)	2,770,738	1,383,643
Other Income	292	2,425
	-----	-----
	(447,876)	(2,365,238)
	=====	=====

11.1 TRADING INCOME

Sales	31,892,405	30,225,000
Cost of Goods Sold		
Opening Stock	2,092,228	28,841,357
Add: Purchases	63,091,784	2,092,228
	-----	-----
	65,184,012	30,933,585
Less: Closing Stock	(36,062,345)	(2,092,228)
	-----	-----
	29,121,667	28,841,357
	-----	-----
	2,770,738	1,383,643
	=====	=====

1998	1997
Rupees	Rupees

12. OPERATING EXPENSES

General Expenses	5,805	-
Fees & Subscription	59,800	220,800
Stationery & Printing	29,266	100,951
Postage & Telegram	20,453	13,217
Legal & Professional Charges	25,789	77,520
Insurance	25,139	43,036
Travelling & Conveyance	100	3,631
Vehicle Upkeep	30,461	21,471
Telephone Expenses	73,072	66,396
Auditors' Remuneration 12.1	13,000	27,050
Entertainment	-	15
Zakat	14,067	28,905
Registrar Services	59,108	61,399
Fine and Penalties	-	5,600
Amortization of Leased Assets	-	508,463
Income Tax Appeal Fee	5,000	-
Depreciation	82,102	99,262
	-----	-----
	443,162	1,277,716
	=====	=====

12.1 Auditors' Remuneration

Audit Fee, Tax & Duty	11,000	11,050
Special verification and certification charges	-	10,000
	-----	-----
	11,000	21,050
Out of Pocket Expenses including prior year	2,000	6,000
	-----	-----
	13,000	27,050
	=====	=====

13. FINANCIAL CHARGES

Mark-up on Short Term Running Finance	680,952	3,029,191
Bank Charges	1,102	6,553
Central Excise Duty	-	4,747
	-----	-----
	682,054	3,040,491
	=====	=====

14. WORKING CAPITAL CHANGES

(Increase)/Decrease in current assets

Trading Stock	(33,970,117)	26,749,129
Trade Debts	24,372,858	(489,550)
Advances, pre-payments and other receivables	24,769	(2,815,802)
	-----	-----
	(9,572,490)	23,443,777
	=====	=====

Increase/(Decrease) in current liabilities

Creditors, accrued and other liabilities	2,272,813	(1,602,471)
	-----	-----
	(1,602,471)	(1,602,471)
	-----	-----
Net working capital changes	(7,299,677)	21,841,306
	=====	=====

15. CASH AND CASH EQUIVALENT

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

Cash and Bank Balance	695,332	663,568
Short Term Borrowing	(2,071,278)	(4,883,456)
	-----	-----
	(1,375,946)	(4,219,888)
	=====	=====

16. GENERAL

16.1 Figures have been rounded off to the nearest rupee.

16.2 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 1998**

Number of Certificate Holders	Certificate Holdings			Total Certificate Held
291	1	-	100	16,579
440	101	-	500	127,193
396	501	-	1000	303,132
688	1001	-	5000	1,429,199
110	5001	-	10000	778,794
31	10001	-	15000	372,415
17	15001	-	20000	298,089
19	20001	-	25000	436,955
6	25001	-	30000	162,659
5	30001	-	35000	164,701
14	35001	-	40000	516,015
6	40001	-	45000	261,115
10	45001	-	50000	462,020
1	55001	-	60000	57,200
2	65001	-	70000	140,000
5	75001	-	80000	400,000
1	80001	-	85000	81,600
1	85001	-	90000	86,832

1	90001	-	95000	95,000
2	95001	-	100000	195,663
1	110001	-	115000	111,910
1	115001	-	120000	117,863
1	205001	-	210000	205,732
1	410001	-	415000	412,500
1	610001	-	615000	614,700
1	700001	-	705000	701,000
1	1105001	-	1110000	1,109,500
1	1395001	-	1400000	1,400,000
1	3020001	-	3025000	3,021,634
-----				-----
	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
=====			