

## **Tri-Star Power Limited.**

### **Annual Report 1999**

#### **Company Information**

Board of Directors: Mohammed Ahmad Ismail  
Chairman/Chief Executive

Rashid Ahmad	Director
Tahir Ahmad	Director
Asad Ahmad	Director
Habib Jamal	Director
Aliya Ahmad	Director
Farnaz Ahmad	Director

Auditors' M/s. Hyder Bhimji & Co.  
Chartered Accountants

Bankers' Bank A1-Habib Ltd.  
Citibank N.A.  
Habib Bank Ltd o

Registered Office: F/498, S.I.T.E.,  
Karachi-75700.

Plant: F/538, S.I.T.E.,  
Karachi-75700.

#### **Notice of Meeting**

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held on Friday, December 31, 1999 at 9.00 A.M. at F/498, S.I.T.E., Karachi to transact the following business:

1. Recitation from the Holy Quran.
2. To confirm the minutes of the preceding meeting of the share holders of the Company.
3. To receive and adopt the audited accounts for the period ended June 30, 1997 together with the Directors' and Auditors' Reports thereon.
4. To appoint Auditors for the year ending June 30, 1998 and June 30, 1999 and fix their remuneration. The present Auditors M/s. Hyder Bhimji & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.
5. To elect 7 Directors of the Company for a period of three years. The number of Directors to be elected is fixed by the Board of Directors in accordance with the provision of section 178(1) of the Companies Ordinance, 1984.

The following retiring directors are eligible for re-election:

1. Mr. Mohammed Ahmad Ismail
2. Mr. Rashid Ahmad
3. Mr. Tahir Ahmad

4. Mr. Asad Ahmad
5. Mr. Habib Jamal
6. Mrs. Aliya Ahmad
7. Mrs. Farnaz Ahmad

6. To transact any other business with the permission of the Chair.

By order of the Board  
Company Secretary

Karachi: the 8th December, 1999.

**NOTES:**

1. The Share transfer Books of the Company will remain closed from December 24, 1999 to January 3rd, 2000 (both days inclusive)
2. A member entitled to attend the Annual General Meeting is entitled to appoint a proxy and vote in his place at the meeting. Proxies in order to be effective must be received at the registered office of the company at F/498, S.I.T.E., Karachi, duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. Members are requested to notify any change in their addresses immediately.
4. Notice of candidature for the office of Directorship should be received at least 14 days before the meeting at the registered Office of the Company in accordance with the provisions of section 178(3) of the Companies Ordinance, 1984.

**Directors' Report**

The audited accounts of the company for the year ended June 30, 1997 are presented herewith.

**FINANCIAL RESULTS**

The financial results of the company are summarised as below'

	<i><b>Rupees</b></i> <i><b>1997</b></i>	<i><b>Rupees</b></i> <i><b>1996</b></i>
(Loss)/Profit for the period	(4,391,600)	23~066,183
Unappropriated profit brought forward	10,013,701	26,947.52
	-----	-----
	5,662,101	50,013,701
Transferred to General Reserve	--	40.000,000
	-----	-----
Unappropriated profit carried forward	5,662,101	10.013,701
	=====	=====

**BUSINESS**

As reported in the last Annual Report that Income Tax authorities illegally raided our premises and the business suffered heavily on account of illegal raid and hampered normal business operations and profitability of the Company for the ensuing year. We also reported that raid caused a serious disruption in Company's business and that the Company has filed a suit against the Income Tax authorities in the Hon'ble High Court of Sindh challenging the act as illegal..

The Hon'ble High Court of Sindh held vide its order dated 31.07.98 that the presence of irregularities and malafides in the acts of the Income Tax Department cannot be ruled out. Further the remaining two ingredients namely balance of convenience and causing irreparable loss and injury also exists in favour of Company. Further the Income Tax Department was directed' to submit their report keeping in view the provision of section 146 (c) of the Income Tax Ordinance, 1979 declaring how much more time they would need to return the impounded documents and record. In spite of the orders of the Hon'ble High Court of Sindh, the Income Tax Department has neither returned the record nor any bearer NIT units/valuables. The Company has filed a contempt application against the Department and the matter is subjudice.

Your Company supplies electricity to the associated company viz Tri-Star Polyester Ltd., which was not running at full capacity as the raid was conducted on all our Group Companies, thus the operations of Tri-Star Polyester Ltd., were also effected very badly. As a result, the sales of your Company have been much lower. On the other hand fixed costs like depreciation and other fixed expenses continued to occur thus resulting in a gross loss situation. Due to the reasons mentioned above the Accounts could not be drawn up, hence the delay in presentation of Accounts and holding of Annual General Meeting.

#### **AUDITORS**

The present Auditors M/s. Hyder Bhimji & Co., Chartered Accountants, are retiring and being eligible offer themselves for re-appointment.

#### **PATTERN OF SHARE HOLDING**

A statement showing pattern of share holding in the Company as on June 30, 1997 appear on Page No.6.

#### **ACKNOWLEDGMENT**

Your Directors are pleased to record their appreciation of the efforts and hard work of all the employees.

On behalf of the Board

**ASAD AHMAD**  
Executive Director

Karachi: December 2, 1999

#### **PATTERN OF SHARE HOLDINGS AS AT 30TH JUNE, 1997**

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDINGS</i>		<i>TOTAL SHARES HELD</i>	
1,055	1	--	100	105,500
4,258	101	--	500	1,834,600
1,185	501	--	1000	1,145,200
889	1001	--	5000	2,216,600
118	5001	--	10000	884,200
21	10001	--	15000	262,500
18	15001	--	20000	339,700
11	20001	--	25000	244,800
5	25001	--	30000	140,900
2	45001	--	50000	95,500
2	50001	--	55000	103,500

1	110001	--	115000	111,500
1	115001	--	120000	119,000
1	190001	--	195000	191,300
1	245001	--	250000	248,900
1	535001	--	540000	535,300
1	745001	--	750000	750,000
1	1255001	--	1260000	1,255,400
1	1655001	--	1660000	1,656,100
1	2755001	--	2760000	2,759,500
-----				-----
7,573				15,000,000
=====				=====

<b>CATEGORIES OF SHARE HOLDERS</b>	<b>NUMBER OF SHARE HOLDERS</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
JOINT STOCK COMPANIES	6	29,025,000	19.35
FINANCIAL INSTITUTIONS	3	774,100	5.16
MODARABA/LEASING COMPANIES	7	3,048,500	20.32
INSURANCE COMPANIES	3	21,500	0.14
INVESTMENT COMPANIES	5	560,800	3.74
INDIVIDUALS	7,547	7,426,100	49.51
FOREIGN INVESTORS	2	266,500	1.78
-----			
TOTAL	7,573	15,000,000	100.00
=====			

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of Tri-Star Power Ltd., as at June 30, 1997 the related Profit and Loss Accounts 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 purposes of our audit and, after due verification thereof, subject to the annexed note 6. 1, we report that'

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.

(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 Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied:

ii. the expenditure incurred during the year was for the purpose of the Company's business, and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company'

in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account and the cash flow statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the loss and changes in financial position 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 November 30, 1999.

## Balance Sheet as at 'June 30, 1997

	<i>Note</i>	<i>Rupees</i> <i>1997</i>	<i>Rupees</i> <i>1996</i>
<b>AUTHORISED CAPITAL</b>			
15,000,000 Ordinary Shares of Rs. 10/- each		150,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
15,000,000 Ordinary Shares of Rs. 10/- each fully paid issued for cash		150,000,000	150,000,000
GENERAL RESERVE		70,000,000	30,000,000
UN-APPROPRIATED PROFIT		5,622,101	10,013,701
		-----	-----
		225,622,101	230,013,701
<b>DEFERRED LIABILITY</b>			
Provision for Gratuity		60,107	45,350
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	3	--	179,461
Creditors, Accrued and Other Liabilities	4	442,916	2,347,794
		-----	-----
		442,916	2,527.26
		-----	-----
		226,125,124	232,586,306
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	5	121,575,537	135,106,943
INVESTMENTS	6	78,304,845	78,304,845
DEFERRED COST	7	800,394	1,365,376
<b>CURRENT ASSETS</b>			
Stores and spares	8	8,925,730	10,135,217
Trade Debts	9	15,559,656	7,568.21
Advances, prepayments & other receivables	10	4,690	4.69
Cash and Bank Balances	11	954,272	101.03
		-----	-----
		25,444,348	17,809,142
		-----	-----
		226,125,124	232,586,306

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

MOHAMMED AHMAD ISMAIL  
CHIEF EXECUTIVE

ASAD AHMAD  
DIRECTOR

**Profit & Loss Account**  
**For the period ended June 30, 1997**

	<i>Note</i>	<i>Rupees</i> <i>1997</i>	<i>Rupees</i> <i>1996</i>
Sales		16,300,000	63,600,000
Cost of Sales	12	19,270,781	37,134,038
		-----	-----
Gross(Loss)/Profit		(2,970,781)	26,465,962
Administrative & General Expenses	13	686,416	707,597
		-----	-----
Operating (Loss)/Profit		(3,657,197)	25,758,365
Other Income		--	2,217,394
		-----	-----
		(3,657,197)	27,975,759
Financial Expenses & Other Charges			
Financial Expenses	14	169,421	3,130,584
Other Charges	15	564,982	1,778,992
		-----	-----
		734,403	4,909,576
		-----	-----
(Loss)/Profit for the period		(4,391,600)	23,066,183
Unappropriated Profit Brought Forward		10,013,701	26,947,518
		-----	-----
		5,662,101	50,013,701
Transferred to General Reserve		--	40,000,000
		-----	-----
Unappropriated Profit Carried Forward		5,662,101	10,013,701
		=====	=====

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

MOHAMMED AHMAD ISMAIL  
CHIEF EXECUTIVE

ASAD AHMAD  
DIRECTOR

**Cash Flow Statement**  
**For the year ended June 30, 1997**

	<i>Note</i>	<i>Rupees</i> <i>1997</i>	<i>Rupees</i> <i>1996</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	18	1,247,479	43,294,649
Financial charges paid		(169,421)	(3,958,108)
Gratuity paid		(45,350)	(26,952)
		-----	-----
Net cash (outflow)/inflow from operating activities		1,032,708	39,309,589
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment		--	(21,128,145)
Capital expenditure		--	(130,849)
		-----	-----
Net Cash (outflow)/inflow from investing activities		--	(21,258,994)

**CASH FLOW FROM FINANCING ACTIVITIES**

Net increase/(decrease) in cash and cash equivalent		1,032,708	18,050,594
Cash & cash equivalent at beginning of the year		(78,436)	(18,129,030)
		-----	-----
Cash & cash equivalent at end of the year	19	954,272	(78,436)
		=====	=====

**NOTES TO THE ACCOUNTS****For the year ended June 30, 1997****1. STATUS AND NATURE OF THE COMPANY**

The Company was incorporated on September 27, 1993 as a public limited company under the Companies Ordinance, 1984. The Company is quoted on the stock exchanges in Pakistan. The main object of the company is to generate, accumulate, distribute and supply electricity.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

Accounts have been prepared on historical cost convention without any adjustment for effect of inflation or current value.

**2.2 Staff Retirement Benefits**

The Company accounts for gratuity payable to all its employees who are eligible under the law, using liability method.

**2.3 Taxation**

Profits and gains of the Company are exempt from levy of Income Tax under clause 176 of the second schedule to the Income Tax Ordinance, 1979.

**2.4 Tangible Fixed Assets**

These are stated at cost less accumulated depreciation except land and capital work-in-progress which are stated a cost. Depreciation is provided on reducing balance method and rates applied are in no case less than the rates prescribed by the Central Board of Revenue.

**2.5 Investments**

These are stated at cost.

**2.6 Deferred Cost**

The preliminary expenses will be written off within five years from the commencement of commercial production.

**2.7 Stores and Spares**

These are valued at cost. Cost is determined on moving average basis.

**2.8 Foreign Currencies**

Transactions in foreign currencies are translated in Pak Rupees at the rate ruling on the Balance Sheet date or as fixed under contractual arrangements. Gain or losses on

acquisition of fixed assets are adjusted to the value of assets acquired under the loan and difference on account of goods supplied are adjusted to Profit and Loss Account.

## 2.9 Trade Debts

Debts irrecoverable, if any, are written off and provision is made against debts considered doubtful.

## 2.10 Revenue Recognition

Revenue from supply of electricity is recognised on issue of bills to customer.

## 3. SHORT TERM BORROWING/RUNNING FINANCE

	1997	1996
Book Overdraft	--	179,461
	-----	-----
	--	179,461

## 4. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued Expenses		205,148	19,814
Creditors		232,731	938,820
Workers Profit Participation Fund	4.1	--	1,214,010
Others		5,037	150
		-----	-----
		442,916	2,347,794

	<i>Rupees</i> 1997	<i>Rupees</i> 1996
Workers Profit Participation Fund		
Opening Balance	1,214,010	2,997,238
Interest for the year	168,696	133,810
	-----	-----
	1,382,706	3,130,418
Less: Paid during the year	1,382,706	3,130,418
	-----	-----
Add: Provided during the year	--	--
	--	1,214,010
	-----	-----
	--	1,214,010

## 5. OPERATING FIXED ASSETS

PARTICULARS	AS AT 30.06.96	ADDITION DURING THE YEAR	AS AT 30.06.97	RATE	AS AT 30.06.96	FOR THE YEAR	AS AT 30.06.97	WRITTEN
								DOWN VAL. AS AT 30.06.97
Building	8,498,610	--	8,498,610	10	2,019,482	647,913	2,667,395	5,831,215
Plant & Machinery	167,026,560	--	167,026,560	10	39,689,687	12,733,687	52,423,374	114,603,186
Electric Installation	496,144	--	496,144	10	99,880	39,626	139,514	356,630



Air Conditioner and Ref.	5,900	--	5,900	10	1,402	450	1,852	4,048
Furniture & Fixture	896,000	--	896,000	10	212,913	68.31	281,222	614,778
Office Equipment	187,700	--	187,700	20	81,837	21,173	103,010	84,690
Motor Vehicle	156,000	--	156,000	20	68,016	17,597	85,613	70,387
Computer	23,500	--	23,500	20	10,246	2,651	12,897	10,603
	-----	-----	-----	-----	-----	-----	-----	-----
1997	177,290,414	--	177,290,414		42,183,471	13,531,406	55,714,877	121,575,537
	=====	=====	=====	=====	=====	=====	=====	=====
1996	177,159,565	130,849	177,290,414		27,142,824	15,040,647	42,183,471	135,106,943
	=====	=====	=====	=====	=====	=====	=====	=====

Depreciation has been allocated as under:

	1997	1996
Cost of Sale	13,421,226	14,912,473
Administrative	110,180	128,174
	-----	-----
	13,531,406	15,040,647
	=====	=====

**Rupees**  
**1997**      **Rupees**  
**1996**

## 6. INVESTMENTS

2,373,080 N.I.T. Units In Associated Undertakings	34,594,845	34,594,845
701,000 Modaraba Certificates of Rs. 10/- each of First Tri-Star Modaraba	7,010,000	7,010,000
3,670,000 Ordinary Shares of Rs. 10/- each of Tri-Star Energy Ltd.	36,700,000	36,700,000
	-----	-----
	78,304,845	78,304,845
	=====	=====

Market Value of above Share Certificates as at 30th June 1997  
is Rs. 70,963,696.

6.1 In September, 1996 the Income Tax Authorities raided Company's premises and took away by force all records, documents, and valuable securities including FEBC's/bearer NIT units of all Group Companies which include bearer NIT units of the company, without lawful authority and without making any inventory. This raid caused a serious disruption in company's business. The company has filed a suit against the Income Tax authorities in the Hon'ble High Court of Sindh challenging the act as illegal. The Hon'ble High Court of Sindh held vide its order dated 31.07.98 that the presence of irregularities and malafides in the acts of the Income Tax Department cannot be ruled out. Further the remaining two ingredients namely balance of convenience and causing irreparable loss and injury also exists in favour of Company. Further the Income Tax Department was directed to submit their report keeping in view the provision of section 146 (c) of the Income Tax Ordinance, 1979 declaring how much more time they would need to return the impounded documents and record. In spite of the orders of the Hon'ble High Court of Sindh, the Income Tax Department has neither returned the record nor any bearer NIT units/valuables. The company have filed a contempt application against the Department and the matter is subjudice.

6.2 In view of the above, N.I.T. units were not made available to auditors for physical

verification.

## 7. DEFERRED COST

Balance at beginning of the year	1,365,376	1,930,358
	564,982	564,982
Less: Written off during the period	-----	-----
	800,394	1,365,376
	=====	=====

## 8. STORES AND SPARES

Oil & Lubricants	41,100	141,512
Spare parts & other stores	8,884,630	9,993,705
	-----	-----
	8,925,730	10,135,217
	=====	=====

## 9. TRADE DEBTS (Unsecured considered good)

Associated Undertaking	15,559,656	7,568,210
	=====	=====

## 10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance Income Tax	4,690	4,690
--------------------	-------	-------

## 11. CASH AND BANK BALANCES

Cash in Hand	946,722	71,727
Balances with Banks in Current Account	7,550	29,298
	-----	-----
	954,272	101,025
	=====	=====

## 12. COST OF SALES

Gas/Fuel, Oil and Lubricants	3,554,659	17,675,608
Salaries, wages and other benefits	370,239	576,553
Repair and maintenance	610,585	163,173
Conveyance	93,942	234,431
Stores Consumed	1,068,095	3,417,907
Insurance	--	9,893
Rent, rates and taxes	120,000	100,000
Vehicles Up-keep	1,675	2,500
Watch & Ward	27,250	28,500
Freight Inward	3,110	13.00
Depreciation	13,421,226	14,912,473.00
	-----	-----
	19,270,781	37,134.04
	=====	=====

## 13. ADMINISTRATIVE EXPENSES

Advertisement	36,846	--
Salaries and Allowances	30,678	66,823
Communication Expenses	42,890	39,893
Printing and Stationery	84,577	45,402
Travelling & Conveyance	2,603	3,750

Fees and Subscription	85,489	48,950
Legal Expenses	7,200	7,200
General Expenses	290	--
Professional Fee	--	14,400
Share Registrar Services	249,627	333,905
Auditors' Remuneration (Note 13.1)	20,000	19,100
Insurance	12,000	--
Entertainment	4,036	--
Depreciation	110,180	128,174
	-----	-----
	686,416	707,597
	=====	=====
	<i>Rupees</i>	<i>Rupees</i>
	<i>1997</i>	<i>1996</i>

### 13.1 AUDITORS' REMUNERATION

Audit Fee	17,000	6,58
Out of pocket expenses	3,000	2,525
	-----	-----
	20,000	19,100
	=====	=====

### 14. FINANCIAL EXPENSES

Mark-up on running finance	--	2,951.55
Bank charges and commission	725	45,852
Interest on W. P. P.F.	168,696	133,180
	-----	-----
	169,421	3,130,584
	=====	=====

### 15. OTHER CHARGES

Deferred cost written off	564,982	564.98
Workers profit participation fund	--	1,214,010
	-----	-----
	564,982	1,778,992
	=====	=====

### 16. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No remuneration or meeting fees has been paid during the year to the Chief Executive/Directors/Executives.

### 17. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

i. Sate of Power	16,300,000	63,600,000
ii. Re-imburseable expenses	303,931	855,881
iii. Maximum aggregate balance due from associated undertaking at the end of any month during the year was	17,090,919	19,019,819

### 18. CASH GENERATED FROM OPERATION

Profit before taxation	(4,391,600)	23,066.183
Adjustment for non cash charges and other items		
Depreciation	13,531,406	15,040.65
Provision for gratuity	60,107	45.35
Financial charges	169,421	3,130,584

Amortization of deferred cost	564,982	564,982
Working capital changes - Note 18.1	(8,686,837)	1,446,903
	-----	-----
	1,247,479	43,294,649
	=====	=====

#### 18.1 WORKING CAPITAL CHANGES

(Increase)/Decrease in current assets		
Stores and Spares	1,209,487	2,907,977
Trade Debts	(7,991,446)	562,174
	-----	-----
Increase/(Decrease) in current assets	(6,781,959)	3,470,151
Liabilities and accrued expenses	(1,904,878)	(2,023,248)
	-----	-----
	(8,686,837)	1,446,903
	=====	=====

#### 19. CASH AND CASH EQUIVALENT

Cash and cash equivalent comprises of the following items as included in the balance sheet.

Cash and bank balance	954,272	101,025
Short term finance utilized under mark-up agreement	--	(I 79,461)
	-----	-----
	954,272	(78,436)
	=====	=====

#### 20. GENERAL

20.1 Figures of previous year have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

20.2 Figures have been rounded off to the nearest rupee.