

Tri-Star Mutual Fund Limited

Annual Report 1999

Company Information

Board of Directors:	Mr. Mohammed Ahmad Ismail	Chairman
	Mr. Habib Jamal	Director
	Mr. Rashid Ahmad	Director
	Mr. Jawed Ahmad Siddiqui	Director
	Mr. Asad Ahmad	Director
	Mr. Jawed Dost Mohammad	Director
	Mr. Tahir Ahmad	Chief Executive

Investment Adviser: Tri-Star Investments (Pvt) Ltd
F/498, S.I.T.E.,
Karachi.

Auditors: Hyder Bhimji & Co.
Chartered Accountants

Bankers: Bank Al-Habib Ltd.
Citibank N.A
Habib Bank Ltd.

**Registrar & Certificate
Transfer Office:** F/498, S.I.T.E.,
Karachi-75700,

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

Notice of Meeting

Notice is hereby given that the Seventh Annual General Meeting of TRI-STAR MUTUAL FUND LTD., will be held on Friday, 31st December, 1999 at F/498, S.I.T.E., Karachi at 9.30 A.M. to transact the following business:

1. Recitation from the Holy Quran.
2. To receive, consider and adopt the annual audited accounts for the year ended 30th June, 1999 together with the Directors' Report and Auditors' Report thereon.
3. To appoint Auditors of the Company and to fix their remuneration. The present Auditors M/s. Hyder Bhimji & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission to the Chair.

By and on behalf of the Board

Dated: 9th December, 1999
Place: Karachi.

Fund Secretary

NOTES:

1. The Certificate Transfer books of the Fund will remain closed from 23rd December, 1999 to 31st December, 1999 (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 Fund 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.

Directors' Report

The Board of Directors have pleasure in presenting the seventh Annual Report together with the audited accounts for the year ended June 30, 1999.

FINANCIAL RESULTS:

During the period under review, your Fund earned Rs 328,337 as Dividend Income and capital gain of Rs.64,400 occurred in investments. The market conditions remain depressed during the current year as well. The Fund followed the policy of staying at the side line during first half of the year. The Karachi Stock Exchange 100 index stood at 1055 points on June 30, 1999 as compared to 880 points on June 30, 1998 i.e. increase of 175 points.' After meeting administrative and other expenses the net profit before taxation came to Rs.37,791. The investment policy of the fund was directed towards low level of portfolio turnover As your Fund was floated at the time when stock market was bullish and KSE 100 Index was at around 2,600 points, the portfolio investment was made at the then prevailing market rates which have come down gradually over a period of time. It is prudent to wait for market to rebound and achieve greater heights than ever before.

The financial results are summarised as follows:

	1999 <i>(Rupees)</i>	1998 <i>(Rupees)</i>
Income	328,337	518,373
Capital Gain/(Loss)	64,400	(809,574)
	-----	-----
	392,74	(291,201)
Less: Operating Expenses	354,946	949,197
	-----	-----
Profit/(Loss) for the Year	37,791	(1,240,398)
	=====	=====

The Board of Directors have not recommended any dividend for the year.

MARKET REVIEW AND FUTURE OUTLOOK

The year began with negative sentiments as the market had gone down by approx 44% from June 30, 1997 to June 30, 1998. The nuclear test by Pakistan in May, 1998 in response to India's nuclear test resulted in imposition of economic sanctions, coupled with IPP Government tussle and adverse economic conditions affected the stock market very badly. The affect of recent change of PML Government on stock market is yet to be seen.

We hope complete lifting of economic sanction, resolution of IPP-Government tussle and economic reforms by Government will improve the economic conditions and the stock market.

THE YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The management is aware of the computer software problem known as "The Millennium Bug", and has

made necessary arrangements to be ready for the year 2000.

AUDITORS

The present auditors M/s. Hyder Bhimji & Co., are due for retirement and being eligible offer themselves for re-appointment.

ACKNOWLEDGMENTS

Your directors would like to record their appreciation of the dedication and hard work of the staff and officers of the Fund.

By and on behalf of the Board
TAHIR AHMAD
Chief Executive

Karachi: December 9, 1999.

Auditors' Report to the Certificate Holders

We have examined the annexed balance sheet of Tri-Star Mutual Fund Ltd., as at June 30, 1999 and the related Profit and Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement) together with the Notes to the accounts for the year then ended. Our examination was made in accordance with the generally, accepted auditing procedures as were considered necessary in the circumstances 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 audit and after due verification thereof, subject to the annexed note 6.3, we report that:

a) In our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Adviser's Rules 1971.

b) In our opinion:

i. The Balance Sheet and Profit & Loss Account together with the Notes thereon have been drawn up in-conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the Investment Companies and Investment Adviser's Rules, 1971, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

ii. the expenditure incurred was for the purpose of the Company's business.

iii. the business conducted, investments made and expenditure incurred during the year were in accordance with Investment Policy of the company and Investment Companies and Investment Adviser's Rules, 1971.

iv. the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Adviser's Rules, 1971; and

c) in our opinion and to the best of our information and according to the explanation given to us, the Balance Sheet and the Profit & Loss Account and the Cash Flow Statement together with the Notes forming part thereof give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971 in the manners so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and changes in financial position for the year ended on that date;

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

S/d-

Karachi: December 8, 1999.

HYDER BHIMJI & CO.
Chartered Accountants

Balance Sheet As at June 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
CAPITAL & RESERVES			
AUTHORISED CAPITAL			
20,000,000 Certificates of Rs. 10/- each		200,000,000	200,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
5,000,000 Certificates of Rs. 10/- each fully paid issued for cash		50,000,000	50,000,000
Accumulated Loss		(8,657,279)	(8,695,070)
		41,342,721	41,304,930
CURRENT LIABILITIES			
Current maturity of deferred Expenditure	3.1	--	554,664
Due to investment adviser-An Associated Company	4	292,464	226,574
Trade creditors, accrued expenses and other liabilities	5	196,980	147,980
Provision for taxation		3,135	3,135
		492,579	932,353
		41,835,300	42,237,283
INVESTMENTS - Marketable Securities			
	6	41,713,233	42,040,808
CURRENT ASSETS			
Advances, Pre-payments and other receivables	7	109,921	141,645
Cash and bank balances	8	12,146	54,830
		122,067	196,475
		41,835,300	42,237,283

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

KARACHI: December 7, 1999.

TAHIR AHMAD
Chief Executive

ASAD AHMAD
Director

Profit and Loss Account
For the year ended June 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
INCOME	9	328,337	518,373

CAPITAL GAIN/(LOSS)	10	64,400	(809,574)
		-----	-----
		392,737	(291,201)
Less: OPERATING EXPENSES			
Administrative	11	73,750	626,314
Financial	12	36,481	96,315
Remuneration of Investment Adviser	4.1	244,715	226,568
		-----	-----
		354,946	949,197
		-----	-----
Profit/(Loss) for the year		37,791	(1,240,398)
Accumulated (Loss) brought forward		(8,695,070)	(7,454,672)
		-----	-----
Accumulated (Loss) carried forward		(8,657,279)	(8,695,070)
		=====	=====

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

TAHIR AHMAD
Chief Executive

ASAD AHMAD
Director

KARACHI: December 7, 1999.

STATEMENT OF CHANGES IN FINANCIAL POSITION
Cash Flow Statement
For the year ended June 30, 1999

	1999	1998
	(Rupees)	(Rupees)
Cash Flow From Operating Activities		
Profit/(Loss) before taxation	37,791	(1,240,398)
Add: Item not involving movement of fund:		
Amortization of deferred expenditure	--	554,664
Financial Expenses	36,481	96,315
Profit/Loss on sale of investment	(64,400)	809,574
	-----	-----
	9,872	220,155
Less: Financial Expenses paid	(96,465)	(130,608)
	-----	-----
	(86,953)	89,547
(Increase)/Decrease in current assets	31,724	(31,724)
Increase/(Decrease) in current liabilities	174,874	(726,355)
	-----	-----
	120,005	(668,532)
	=====	=====
Investing Activities		
Purchase of Investments	(296,525)	(1,482,450)
Sale proceed of Investments	688,500	2,726,926
	-----	-----
	391,975	1,244,476

	(554,664)	(554,660)
Net Cash Flow	(42,684)	21,284
Cash and Bank Balance at the beginning of the year	54,830	33,546
Cash and Bank Balance at the end of the year	12,146	54,830

Financing Activities

Re-payment of Deferred Expenditure

Net Cash Flow

Cash and Bank Balance at the beginning of the year

Cash and Bank Balance at the end of the year

Notes to the Accounts

For the year ended June 30, 1999

1. STATUS AND NATURE OF BUSINESS

The Fund was incorporated as public limited Company under Investment Companies and Investment Adviser's Rules, 1971. The Fund has entered into an agreement with an associated company, Tri-Star Investments (Pvt) Ltd., to act as its "Investment Adviser". The Fund is listed on Karachi and Islamabad Stock Exchanges.

2. ACCOUNTING POLICIES

The significant accounting policies are summarized below:

2.1 The accounts of the Company are prepared under the historical cost convention.

2.2 Investments-Marketable Securities

- i. Investments are valued at cost.
- ii. Profit or loss on sale of Investment is accounted for in the year in which it arise.
- ii. Full provision is made against permanent diminution in the value of investment

2.3 Revenue Recognition

i. Dividend Income is recorded at the time of the closure of share transfer books of the company declaring the dividend and is shown net of zakat deducted.

ii. Sales and purchases of securities are recognised on the date of contract. Capital gain on sale of investment is taken to income of the period in which it arises.

2.4 Deferred Expenditure

The expenditure incurred on the incorporation and on the issue of shares to public, of the investment company, has been deferred and is being amortized over a period of five years.

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
3. DEFERRED EXPENDITURE PAYABLE		
Balance on 1st July	554,664	1,109,324
Less: Paid during the year	554,664	554,660
Transferred to current maturity 3.1	--	554,664
	--	1,109,324
	--	--

The deferred expenditure is re-imbursable to the Investment Adviser over a period of 5 years with interest @10% per annum.

	1999 (Rupees)	1998 (Rupees)
4. DUE TO INVESTMENT ADVISER		
TRI-STAR INVESTMENTS (PVT) LTD.		
AN ASSOCIATED COMPANY		
Opening Balance	226,574	1,018,635
Add: 2 Percent of net assets	244,715	226,568
Add: Interest on deferred expenditure	36,181	96,165
	-----	-----
	507,470	1,341,368
Less: Paid during the year	215,006	1,114,794
	-----	-----
	292,464	226,574
	=====	=====

4.1 The remuneration of investment adviser at 2 percent of net assets of the company as at the end of its year of accounts in term of clause 11(a) of the Investment Company and Investment Adviser's Rules, 1971 has been determined as follows:

ASSETS

Marketable Securities at market value	12,606,283	12,064,273
Advances, Pre-payments and other Receivables	109,921	141,645
Cash and Bank Balances	12,146	54,830
	-----	-----
	12,728,350	12,260,748
	=====	=====

LIABILITIES

Deferred Expenditure payable	--	554,664
Due to Investment Adviser-An associated company	292,464	226,574
Trade Creditors, accrued expenses and other liabilities	196,980	147,980
Provision for Taxation	3,135	3,135
	-----	-----
	492,579	932,353
	-----	-----
Net Assets	12,235,771	11,328,395
	-----	-----
2 percent of net assets	244,715	226,568
	=====	=====

5. TRADE CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Income Tax Deducted at source	8,913	1,413
Audit Fee	19,000	7,500
Custodian Fee	164,067	134,067
Others	5,000	5,000
	-----	-----
	196,980	147,980
	=====	=====

6. INVESTMENTS - Marketable Securities

These Securities are shares/certificates of Rs. 10/- each.

<i>Name of Company</i>	<i>Number of Shares</i>				<i>Balance as at June 30, 1999</i>			<i>Percentage in Relation to</i>		
	<i>Balance As At July 1 1998</i>	<i>Purchases</i>	<i>Bonus shares</i>	<i>Sales</i>	<i>Number of Shares</i>	<i>At Cost (Rupees)</i>	<i>At Market (Rupees) 6.1</i>	<i>Own Assets</i>	<i>Investee Companies Paid-up Capital 6.2</i>	<i>Number of Shares</i>
FINANCIAL COMPANIES										
MUTUAL FUNDS AND BANKS ETC:										
Askari Bank Ltd.	4,013	--	--	--	4,013	124,660	48,357	0.30	0.01	0.004
Askari Leasing Ltd:	24,000	--	--	--	24,000	457,143	206,400	1.09	0.19	0.100
Bank Al-Habib Ltd.	4,000	--	3,712	--	7,712	152,494	138,816	0.36	0.04	0.015
Citi Corp. Investment Bank Ltd	12,000	--	--	--	12,100	986,104.00	163,350	2.36	0.99	0.121
Foreign Exchange Bearer Certificate (7.3)	3,600,000	--	--	--	3,600,000	3,933,000	3,708,000	9.40	--	--
First Tri-Star Modaraba	412,500	--	--	--	412,500	4,886,250	515,625	11.68	3.47	2.930
LTV Capital Modaraba	137,500	--	--	137,500	--	--	--	--	--	--
Muslim Commercial Bank Ltd	16,760	--	--	--	16,760	103,6874	341,904	2.48	0.06	0.009
Punjab Modaraba	40,000	--	--	40,000	--	--	--	--	--	--
Second Tri-Star Modaraba	468,000	--	--	--	468,000	4,812,000	4,914,400	11.50	3.74	3.636
Soneri Bank Ltd.	13,380	--	1,338	--	14,718	4,968,600.00	1,79,560	1.19	0.10	0.029
Union Leasing Ltd.	4,500	--	675	--	5,175	98,975	15,525	0.24	0.05	0.025
TEXTILE SPINNING;										
Faisal Spinning Mills Ltd.	74,000	--	--	--	74,000	2,206,265	728,900	5.27	2.21	0.740
TEXTILE COMPOSITE:										
Crescent Textile Mills Ltd.	26,647	--	1,332	--	27,979	1,247,946	225,231	2.98	0.31	0.069
Nishat Mills Ltd.	48,000	30,500	--	--	78,500	773,725	745,750	1.85	0.07	0.071
SYNTHETIC & RAYON:										
Dewan Salman Fibre Ltd.	31,740	--	4,761	--	36,501	3,876,641	918,000	9.27	0.24	0.023
Tri-Star Polyester Ltd.	190,000	--	--	--	190,000	4,755,700	332,500	11.37	2.22	0.885
INSURANCE:										
Commercial Union Life Assur.	37,000	--	--	--	37,000	381,150	286,750	0.91	0.13	0.123
FUEL & ENERGY:										
Shell Pakistan Ltd.	6,469	--	--	--	6,469	1,465,340	1,073,854	3.50	0.42	0.018
Sui Northern Gas Co. Ltd.	38,088	--	--	--	38,088	1,092,150	316,130	2.61	0.03	0.010
Tri-Star Power Ltd.	119,000	--	--	--	119,000	4,964,750	226,100	11.87	3.31	0.793
CHEMICAL & PHARMACEUTICAL:										
Engro Chemical (Pak) Ltd.	21,045	--	1,609	--	22,654	2,541,156	1,674,131	6.07	0.21	0.187
Hoechst Marion Roussel	10,000	--	--	--	10,000	1,424,050	270,000	3.40	2.05	0.144
MISCELLANEOUS:										
Tri Pack Films Ltd	20,000	--	--	20,000	--	--	--	--	--	--
1999	5,358,742	30,500	13,427	197,500	5,205,169	41,713,233	12,606,283	99.71		
1998	5,140,350	282,500	20,292	84,400	5,358,742	42,040,808	12,064,273	99.53		

6.1 Own assets as defined in section 17(2) of the Investment Companies end Investment Adviser's Rules, 1971.

6.2 The percentage in relation to Investee companies paid-up capital has been worked out in relation to the acquisition cost of the respective shares of the company.

6.3 In September, 1996 the Income Tax Authorities raided Funds' premises and took away by force all records, documents, and valuable securities including FEBC's/bearer NIT units of all Group Companies which included FEBC'S of the Fund, without lawful authority and without making any inventory. This raid caused a serious disruption in Fund's business. The Fund has filed a suit against the Income Tax authorities in the Hon'ble High Court of Sindh challenging the said act as illegal. The Hon'ble Court of Sindh held vide its order dated 31.07.98 that the presence of irregularities end 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 Fund. Further the Income Tax Department was directed to submit their report keeping in view of 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. Inspire of the orders of the Hon'ble High Court of Sindh, the Income Tax Department has neither returned the record nor any FEBC's/valuables. The Fund has filed a contempt application against the department and the matter is subjudice.

6.4 In view of the above, FEBC's were not made available to auditors for physical verification.

	1999 <i>(Rupees)</i>	1998 <i>(Rupees)</i>
7. ADVANCES, PRE-PAYMENTS AND OTHER RECEIVABLES		
Advance Income Tax	109,921	109,921
Dividend Income Receivable	--	31,247
	-----	-----
	109,921	141,645
	=====	=====
8. CASH AND BANK BALANCES		
Cash in hand	5,482	7,098
Cash at bank Current Account	6,655	47,723
Cash at bank PLS Account	9	9
	-----	-----
	54,830	12,146
	=====	=====
9. INCOME		
Dividend Income	328,337	518,373
	=====	=====
10. CAPITAL GAIN/(LOSS)		
Sale of investments	688,500	2,726,926
Cost of Sales		
Opening Balance	42,040,808	44,094,858
Add: Purchases	296,525	1,482,450
	-----	-----
	42,337,333	45,577,308
Less: Closing Stock	(41,713,233)	(42,040,808)
	-----	-----
Cost of Sales	624,100	3,536,500
	-----	-----
Capital Gain/(Loss)	64,400	(809,574)
	=====	=====

11. ADMINISTRATIVE EXPENSES

Listing Fee		31,250	31,250
Custodian Fee		30,000	30,000
Amortization of deferred expenditure		--	554,664
Auditors' remuneration	11.1	11,500	7,500
Misc. Expenses		1,000	2,900
		-----	-----
		73,750	626,314
		=====	=====

11.1 AUDITOR'S REMUNERATION

Audit Fee		7,500	7,500
Out of Pocket Expenses		2,000	--
Prior year Out of Pocket Expenses		2,000	--
		-----	-----
		11,500	7,500
		=====	=====

12. FINANCIAL EXPENSES

Interest on deferred expenditure		36,181	96,165
Bank Charges		300	150
		-----	-----
		36,481	96,315
		-----	-----

13. ASSOCIATED UNDERTAKINGS

13.1 Transaction with Associated Undertakings

i. Interest on deferred expenditure payable		36,181	96,165
ii. Remuneration for services		244,715	226,568
iii. Deferred expenditure reimbursed		--	554,664

13.2 .The aggregate maximum balance at the end of any month during the year, due to associated undertaking was Rs.739,572 (1998: Rs.1,582,717).

14. GENERAL

14.1 Figures have been rounded off to nearest rupee.

14.2 Previous year's figures have been re-arranged, wherever necessary, if any to facilitate comparison.

TRI-STAR INVESTMENTS (PVT) LTD.

INVESTMENT ADVISER

STATEMENT OF INCOME AND EXPENDITURE IN RELATION TO INVESTMENT COMPANY FOR THE YEAR ENDED JUNE :30, 1999

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>
INCOME		
Remuneration from Tri-Star Mutual Fund Ltd. an Associated Undertaking	244,715	226.57
Interest on deferred expenditure	36,181	96,165

	280,896	322,733
LESS: OPERATING EXPENSES		
Salary and allowances	46,701	106,132
Postage, Telephone and Telegram	49,098	119,704
Printing and Stationery	53,200	49,630
Travelling and Conveyance	1,500	25,433
Audit Fee	8,000	5,000
Fee and subscription	75,057	75,470
Advertisement	9,680	9,126
Entertainment	1,719	1,725
Amortization of deferred cost	--	18,663
Depreciation	7,821	9,623
Other expenses	800	--
Bank charges	448	510
	254,024	421,016
Profit/(Loss) for the year	26,872	(98,253)

**PATTERN OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 1999**

<i>NUMBER OF CERTIFICATE HOLDER</i>	<i>FROM</i>	<i>CERTIFICATE HOLDINGS TO</i>	<i>TOTAL CERTIFICATES HELD</i>
422	1	--	100
3,602	101	--	500
567	501	--	1000
450	1001	--	5000
33	5001	--	10000
6	10001	--	15000
2	15001	--	20000
1	30001	--	35000
1	65001	--	70000
1	495001	--	500000
1	625001	--	630000
5,086			5,000,000

<i>CATEGORIES OF CERTIFICATE HOLDERS</i>	<i>NUMBER OF CERTIFICATE HOLDERS</i>	<i>CERTIFICATES HELD</i>	<i>PERCENTAGE</i>
1. JOINT STOCK COMPANIES	6	55,200	1.10
2. FINANCIAL INSTITUTIONS	1	18,000	0.36
3. INVESTMENT COMPANIES	4	1,194,300	23.89
4. INDIVIDUALS	5075	3,732,500	74.65
TOTAL	5086	5,000,000	100.00

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