

Tri-Star Mutual Fund Limited

Annual Report 2001

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.
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 give that the Ninth Annual General Meeting of TRI-STAR MUTUAL FUND LTD., will be held on Monday 31st December, 2001 at F/498, S.I.T.E., Karachi at 03.00 PM. 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, 2001 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 of the Chair.

Dated: 8th December 2001
Place: Karachi.

By and on behalf of the Board

Fund Secretary

NOTES:

1. The Certificate Transfer books of the Fund will remain closed from 23rd December, 2001 to 31st December 2001 (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.

DIRECTOR'S REPORT

The Board of Directors have pleasure in presenting the Ninth Annual Report together with the audited accounts for the Year ended June 30, 2001.

FINANCIAL RESULTS:

During the period under review, your Fund earned dividend income of Rs.255,476 whereas capital loss of Rs.25,781 occurred on investments. The market conditions remained depressed during the current year as well. The Karachi Stock Exchange 100 share index stood at 1366 points on June 30, 2001 as compared to 1500 points on June 30, 2000 i.e. decrease of 134 points. After meeting administrative and other expenses, the net loss came to Rs. 287,332. Provision for diminution in value of investment was made keeping in view the present market value of shares and the provision will be reversed as soon as the market value of shares increases. The Fund is adopting a proactive strategy with caution, keeping in view the Poor market conditions due to uncertain economic conditions, world wide economic recession, withdrawal of investment portfolios by foreign funds, Hubco dispute and delay in release of IMF economic package. The financial results are summarized as follows:

	<i>2001</i> <i>(Rupees)</i>	<i>2000</i> <i>(Rupees)</i>
Income	255,476	325,933
Capital Gain/(Loss)	(25,781)	(73,700)
	-----	-----
	229,695	252,233
Less: Operating Expenses	517,027	239~670
	-----	-----
Operating profit	(287,332)	12,563
Add: Provision for diminution in value of investment	(957,937)	(24,748,151)
	-----	-----
Profit/(Loss) for the year	(1,245,269)	(24,735,588)
	=====	=====

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

MARKET REVIEW AND FUTURE OUTLOOK

The KSE 100 share index stood at 1564 points at the end of 1st Quarter of the year i.e. 30th Sept 2000 and started to rise and reached 1637 points before returning to 1507 points as on 31st Dec. 2000. It started its downward journey reaching 1324 Points as on 30th March 2001 and finally closed at 1366 Points as on 30th June 2001.

The genuine investor has moved out of the market due to speculative activities. The efforts of SECP

to curb speculation by tightening trading regulations will hopefully yield positive results in near future. The future prospects of the market will depend on economic revival, removal of uncertainties on political front, better law and order situation, return of both foreign and local investors to the market.

Pakistan's credit rating and foreign reserves have increased. We are confident that stock market conditions will improve and we will be able to achieve better results in future.

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 7, 2001

Auditors' Report to the Certificate Holders

We have audited the annexed Balance Sheet of TRI-STAR MUTUAL FUND LIMITED as at 30th June, 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971. Our responsibility is to express our 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that.

As detailed in note 3.3 due to an illegal income Tax raid, physical verification of FEBC's could not be carried out.

Subject to the above.

(A) In our opinion, proper books of account 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 and 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 during the years 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 Investment policy of the Company and Investment Companies and Investment Adviser's Rules, 1971.

iv- The Company has not contravened the provision of Rule 8 of the Investment Companies and Investment Adviser's Rules, 1971; and

(c) in our opinion and the best of our information and according to the explanations give to us. The balance sheet etc; profit and loss account, cash flow statement and the statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and 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 30th June, 2001 and of the profit loss, 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.

Date: December 2, 2001
Place: Karachi.

Hyder Bhimji & Co.
Chartered Accountants

Balance Sheet as at June 30, 2001

	<i>Note</i>	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
CURRENT ASSETS			
INVESTMENTS - Marketable Securities	3	15,779,864	16,583,932
Advances, pre-payments & other receivables	4	109,921	109,921
Cash & Bank Balances	5	32,746	292,466
		-----	-----
		142,667	402,387
		-----	-----
		15,922,531	16,986,319
CURRENT LIABILITIES			
Due to investment adviser-an associated company	6	307,237	166,071
Trade creditors, accrued expenses and other liabilities	7	250,295	209,980
Provision for taxation		3,135	3,135
		-----	-----
		560,667	379,186
		-----	-----
NET ASSETS		15,361,864	16,607,133
		=====	=====
SHAREHOLDERS EQUITY	13	15,361,864	16,607,133
		=====	=====

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

TAHIR AHMAD
Chief Executive

ASAD AHMAD
Director

KARACHI: December 7, 2001.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
INCOME	8	255,476	325,933
CAPITAL (LOSS)	9	(25,781)	(73,700)
		-----	-----
		229,695	252,233
Less: OPERATING EXPENSES			
Administrative	10	209,470	73,164
Financial	11	320	435
Remuneration of Investment Adviser	6.1	307,237	166,071
		-----	-----
		517,027	239,670
		-----	-----
Operating Profit/(Loss) for the Year		(287,332)	12,563
Provision for diminution in value of Investment		(957,937)	(24,748,151)
		-----	-----
Profit/ (Loss) for the Year		(1,245,269)	(24,735,588)
Accumulated (Loss) brought forward		(33,392,867)	(8,657,279)
		-----	-----
Accumulated (Loss) carried forward		(34,638,136)	(33,392,867)
		=====	=====
Earning per Share	12	(0.25)	(4.95)
		=====	=====

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

TAHIR AHMAD
Chief Executive

ASAD AHMAD
Director

KARACHI: December 7, 2001.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001 RUPEES</i>	<i>2000 RUPEES</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year	(1,245,269)	(24,735,588)
Add: Items not involving movements of funds		
Financial Expenses	--	--

Profit/(Loss) on Sale of Investments	25,781	73,700
Provision for diminution in the value of Investments	957,937	24,748,151
Dividend Income	(255,476)	(325,933)
	-----	-----
	(517,027)	(239,670)
Less: Financial Expenses paid	--	(36,183)
	-----	-----
	(517,027)	(275,853)
(Increase) / Decrease in Current Assets	--	--
Increase / (Decrease) in Current Liabilities	181,481	(77,210)
	-----	-----
	(335,546)	(353,063)
	-----	-----
INVESTING ACTIVITIES		
Dividend Income	255,476	325,933
Purchase of Investment	(2,795,850)	--
Sale proceed of Investments	2,616,200	307,450
	-----	-----
	75,826	633,383
	-----	-----
FINANCING ACTIVITIES		
NET CASH FLOW	(259,720)	280,320
Cash and Bank Balance at beginning of the year	292,466	12,146
	=====	=====
Cash and Bank Balance at the end of the year	32,746	292,466
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

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 at 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 investments is accounted for in the year in which it arise.

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

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 show net of zakat deducted.

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

3. INVESTMENTS - MARKETABLE SECURITIES

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

NAME OF COMPANY	NUMBER OF SHARES				Balance As At June 30, 2001			Percentage in Relation to		
	Balance as at July 1, 2001	Purchases	Bonus Shares	Sales	Number of Shares	At Cost (Rupees)	At Market (Rupees)	Own Assets 3.1	Investee Companies Paid-up Capital 3.2	Number of Shares
FINANCIAL COMPANIES, MUTUAL FUNDS AND BANKS ETC.										
Askari Bank Ltd.	4,013	--	200	--	4,213	124,660	55,401	0.30	0.01	0.00
Askari Leasing Ltd.	74,000	--	--	--	24,000	457,143	230,400	1.10	0.14	0.07
Bank Al-Habib Ltd.	17,174	--	3,434	--	20,608	152,494	320,454	0.37	0.02	0.03
Jahangir Siddiqui Investment Ban	12,100	--	--	--	12,100	986,104	122,210	2.37	0.54	0.07
Foreign Exchange Bearer Certificat	36,000	--	--	--	3,600,000	3,933,000	3,924,000	9.45	--	--
First Tri-Star Modaraba	412,500	--	--	--	412,500	4,886,250	206,250	11.74	3.47	2.93
Muslim Commercial Bank Ltd.	16,760	--	3,931	--	20,691	1,036,874	506,930	2.49	0.04	0.01
Second Tri-star Modaraba	468,000	--	--	--	468,000	4,812,000	117,000	11.56	3.74	3.64
Soneri Bank Ltd.	18,397	--	4,599	--	22,996	496,860	288,600	1.19	0.06	0.03
Union Leasing Ltd.	5,175	--	--	--	5,175	98,975	23,029	0.24	0.05	0.03
TEXTILE SPINNING:										
Faisal Spinning Mills Ltd.	74,000	--	--	--	74,000	2,206,265	1,376,400	5.30	2.21	0.74
TEXTILE COMPOSITE:										
Crescent Textile Mills Ltd.	27,979	--	--	--	27,979	1,247,946	426,680	3.00	0.31	0.07
Nishat Mills Ltd.	78,500	--	--	78,500	--	--	--	--	--	--
SYNTHETIC & PAYON:										
Dewan Salman Fibre Ltd.	61,594	--	--	--	61,594	3,876,641	1,114,851	9.31	0.13	0.020
Tri-Star Polyester Ltd.	190,000	--	--	--	190,000	4,755,700	304,000	11.42	2.22	0.885
INSURANCE:										
Commercial Union Life Assurance	--	150,000	--	--	150,000	852,500	1,245,000	2.05	0.28	0.000
American Life Insurance	--	147,000	--	--	147,000	1,943,350	2,646,000	4.67	0.60	0.005
FUEL & ENERGY:										
Shell Pakistan Ltd.	6,469	--	--	2,000	4,469	1,012,306	1,097,306	2.43	0.29	0.01
Sui Northern Gas Co. Ltd.	50,371	--	7,555	--	57,926	1,092,150	590,845	2.62	0.20	0.01
Tri-Star Power Ltd.	119,000	--	--	--	119,000	4,964,750	95,200	11.93	3.31	0.79
CHEMICAL & PHARMACEUTICAL:										
Engro Chemical (Pak) Ltd.	22,654	--	1,448	13,000	11,102	1,125,934	639,475	2.70	0.08	0.016
Hoechst Marion Roussel.	10,000	--	--	--	10,000	1,424,050	450,000	3.42	2.05	0.144
						-----	-----			
						41,485,952	15,779,864			
						25,706,088	=====			
						-----	-----			
	2001 Rupees	Market Value				15,779,864				
						=====	=====			
	2000 Rupees	Market Value				16,583,932				
						=====	=====			

3.1 Own assets as defined in Section 17(2) of the Investment Companies and Investment Adviser's Rules, 1971.

3.2 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.

3.3 In September, 1996 the Income Tax authorities raided Fund's premises and took away by force all records, documents, and valuable securities including FEBC's/bearer NIT units of all our 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 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 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 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 records. In spite of the orders of the Hon' ble High Court of Sindh, the Income Tax Department has neither returned the records nor any FEBC' s/valuables. The Fund has filed a contempt application against the Department and the matter is subjudice.

	<i>2001</i> <i>RUPEES</i>	<i>2000</i> <i>RUPEES</i>
4. ADVANCES, PRE-PAYMENTS AND OTHER RECEIVABLES		
Advance Income Tax	109,921	109,921
	=====	=====
5. CASH AND BANK BALANCES		
Cash in hand	4,791	5,482
Cash at bank Current Account	27,956	286,975
Cash at bank PLS Account	--	9
	-----	-----
	32,746	292,466
	=====	=====
6. DUE TO INVESTMENT ADVISER TRI-STAR INVESTMENTS (PVT.) LTD. AN ASSOCIATED COMPANY		
Opening balance	166,071	292,484
Add: 2 Percent of net assets (1 Percent in 2000)	307,237	166,071
	-----	-----
	473,308	458,555
Less: Paid during the year	166,071	292,484
	-----	-----
	307,237	166,071
	=====	=====

6.1 The remuneration of the investment adviser at 2 percent of the net assets of the company as at 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	15,779,864	16,583,932
Advances, Pre-payments and other Receivables	109,921	109,921
Cash & Bank Balances	32,746	292,466
	-----	-----
	15,922,531	16,986,319
	-----	-----
LIABILITIES		
Due to Investment Adviser-An associated company	307,237	166,071

Trade creditors, accrued expenses and other liabilities	250,295	209,980
Provision for taxation	3,135	3,135
	-----	-----
	560,667	379,186
	-----	-----
Net Assets	15,361,864	16,607,133
	=====	=====
2 percent of Net Assets (1 percent in 2000)	307,237	166,071
	=====	=====

7. TRADE CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Audit fee	19,000	9,500
Custodian fee	224,067	194,067
Income tax Deduction	2,228	1,413
Others	5,000	5,000
	-----	-----
	250,295	209,980
	=====	=====

8. INCOME

Dividend Income	255,476	325,933
	=====	=====

9. CAPITAL GAIN/(LOSS)

Sales of Investments	2,616,200	307,450
Cost of Sales		
Opening Balance 1-7-2000	41,332,083	41,713,233
Add: Purchases	2,795,850	--
	-----	-----
	44,127,933	41,713,233
Less: Closing stock	41,485,952	41,332,083
	-----	-----
Cost of Sales	2,641,981	381,150
	-----	-----
Capital Gain/(Loss)	(25,781)	(73,700)
	=====	=====

10. ADMINISTRATIVE EXPENSES

Listing Fee	31,250	31,250
Custodian Fee	30,000	30,000
Auditors' remuneration - 10.1	9,500	9,500
Misc. Expenses	3,720	--
Professional Charges	115,000	--
Professional Tax	20,000	--
Zakat	--	2,414
	-----	-----
	209,470	73,164
	=====	=====

10.1 AUDITOR'S REMUNERATION

Audit Fee	7,500	7,500
Out of Pocket Expenses	2,000	2,000
	-----	-----
	9,500	9,500
	=====	=====

11. FINANCIAL EXPENSES

Bank Charges	320	435
	=====	=====

12. EARNING PER SHARE

Profit/(Loss) for the year	(1,245,269)	(24,735,588)
	-----	-----
No. of Ordinary Shares	5,000,000	5,000,000
	-----	-----
Earning per share	(0.25)	(4.95)
	=====	=====

13. SHAREHOLDERS EQUITY

Authorised Capital 20,000,000 Certificates of Rs. 10/- each	200,000,000	200,000,000
	=====	=====

Issued, Subscribed & Paid up Capital
5,000,000 Certificates of Rs. 10/- each

fully issued for cash	50,000,000	50,000,000
Accumulated Loss	(34,638,136)	(33,392,867)
	-----	-----
	15,361,864	16,607,133
	=====	=====

14. DISTRIBUTION STATEMENT

Accumulated Loss Brought forward	(33,392,867)	(8,657,279)
Profit/(Loss) for the year	(1,245,269)	(24,735,588)
	-----	-----
Accumulated Loss carried forward	(34,638,136)	(33,392,867)
	=====	=====

15. PERFORMANCE TABLE:

<i>PARTICULARS</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
Net Assets (Rupees in thousand)	15363	16607	12235	11328	17981	20066	27208	54854
Net Assets Value Per Share	3.07	3.32	2.45	2.26	3.60	4.01	5.44	10.97
Earning Per Share	(0.25)	(4.95)	0.01	(0.25)	(0.42)	(0.59)	(0.48)	0.01*
Dividend Distribution	--	--	--	--	--	--	--	--
	=====	=====	=====	=====	=====	=====	=====	=====

* First Year (for five months of operation)

16. STATEMENT OF CHANGES IN EQUITY

<i>PARTICULARS</i>	<i>SHARE CAPITAL</i>	<i>PROFIT/(LOSS)</i>	<i>TOTAL</i>
Balance as at June 30, 1999	50,000,000	(8,657,279)	41,342,721
Profit/(Loss) for the year	--	(24,735,588)	(24,735,588)
	-----	-----	-----
Balance as at June 30, 2000	50,000,000	(33,392,867)	16,607,133

**STATEMENT OF INCOME AND EXPENDITURE
IN RELATION TO INVESTMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001</i>	<i>2000</i>
	<i>RUPEES</i>	<i>RUPEES</i>
INCOME		
Remuneration from Tri-Star Mutual Fund Ltd. an Associated Undertaking	307,237	166,071
	-----	-----
	307,237	166,071
LESS: OPERATING EXPENSES		
Salary and allowances	92,866	85,304
Postage, Telephone and Telegrams	43,282	102,883
Printing and Stationary	54,880	49,288
Traveling and Conveyance	2,551	2,070
Legal Expenses	10,155	--
Audit Fee	6,500	6,500
Fees and Subscription	69,986	77,357
Advertisement Expenses	7,456	5,892
Entertainment	--	560
Depreciation	5,194	6,367
Bank Charges	740	330
	-----	-----
	293,610	336,550
	-----	-----
Profit/(Loss) for the Year	13,627	(170,479)
	=====	=====

**PATTERN OF CERTIFICATE HOLDINGS
AS AT JUNE 30, 2001**

<i>Number of Certificate Holder</i>	<i>From</i>	<i>Certificate Holdings</i>	<i>To</i>	<i>Number of Certificate Holder</i>
422	1	--	100	42,200
3,602	101	--	500	1,665,500
567	501	--	1000	563,000
450	1001	--	5000	1,141,000
33	5001	--	10000	256,300
6	10001	--	15000	71,800
2	15001	--	20000	33,500
1	30001	--	35000	32,900
1	65001	--	70000	67,700
1	495001	--	500000	500,000
1	625001	--	630000	626,100
-----				-----
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
	=====	=====	=====