

Annual Report 1996

Tri-Star Mutual Fund Ltd.

Company Information

Board of Directors:

Mr. Mohammed Ahmad Ismail	Chairman
Mr. Habib Jamal	Director
Mr. Rashid Ahmad	Director
Mr. Jawed Ahmed 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-75700.

Auditors:

Hyder Bhimji & Co.
Chartered Accountants

Bankers:

Bank AI-Habib Ltd.
Citibank N.A.
Habib Bank Ltd.

Registrar & Certificate

Transfer Office:

Noble Computer Services (Pvt) Ltd.
I.I. Chundrigar Road, Karachi-74200.

Registered Office:

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

Notice of Meeting

Notice is hereby given that the Fourth Annual General Meeting of TRI-STAR MUTUAL FUND LTD., will be held on Tuesday, 31st December, 1996 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 read and confirm the minutes of Extra Ordinary General Meeting, held on 8th September, 1996
3. To receive, consider and adopt the annual audited accounts for the year ended 30th June, 1996 together with the Directors' Report and Auditors' Report thereon.
4. 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 re-appointment.
5. To transact any other business with the permission of the Chair.

By and on behalf of the Board

Company Secretary

Date: 9th December, 1996

Place: Karachi

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 23rd December, 1996 to 31st December, 1996 (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 office of the share registrar M/s. Noble Computer Services (Pvt) Ltd., 2nd Floor, AI-Manzoor Building, Dr. Ziauddin Ahmed Road, 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 is pleased to present the 4th Annual Report together with the audited accounts for the year ended June 30, 1996.

FINANCIAL RESULTS:

During the period under review, your Fund earned Rs. 627,019 as Dividend Income and Profit on Deposits. However Rs. (2,362,979) capital loss occurred in investments as the market conditions remained depressed during the current year as well. The Karachi Stock Exchange share price index stood at 1703 points on June 30, 1996 as compared to 1611 points as on June 30, 1995 whereas during the year it went down below 1400 points. After meeting administrative and other expenses the net loss before taxation came to Rs. 2.969 million.

The financial results are summarised as follows:

	1996	1995
	Rupees	Rupees
Income	627,019	1,430,616
Capital Gain/Loss	(2,362,979)	(2,403,617)
	-----	-----
	(1,735,960)	(973,001)
Less Operating Expenses	1,234,480	1,408,333
	-----	-----
(Loss) before taxation	(2,970,440)	(2,381,334)
Provision for Taxation	3,135	-
	-----	-----
(Loss) after taxation	(2,973,575)	(2,381,334)
Prior Year Adjustments	3958	-
	-----	-----
(Loss) for the year	(2,969,617)	(2,381,334)
	=====	=====

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

MARKET REVIEW AND FUTURE OUTLOOK

The market remained depressed during the period under review and market conditions were unfavorable for investment. The market failed to show a definite direction and continued to suffer from declining trend.

The KSE 100 price index went down below 1400 mark during the year. Although it rose and stood at 1703 points as on June 30, 1996, it does not reflect the true picture of the market, as it now includes some of highly capitalised shares which are subject to speculative activities. With the increase in speculative activities the index rises, however, it drops again after a short interval. The index stood at 1486 points as on December 1, 1996.

Major factors responsible for depressed stock market conditions are as follows :-

Economic uncertainties.

Crisis in textile and other sectors.

Lack of interest of foreign investors due to economic and political uncertainties.

Slow down of industrial activity.

As soon as above conditions improve the market will revive and better results could be achieved.

AUDITORS

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

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 8, 1996.

Auditors' Report to the Certificate Holders

We have examined the annexed balance sheet of TRI-STAR MUTUAL FUND LTD., as at June 30, 1996 and the related Profit and Loss Account and the 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 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 the 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 explanations 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, 1996 and of the loss and the 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.

Sd/-

HYDER BHIMJI & CO.

Chartered Accountants

**Balance Sheet As at
June 30, 1996**

	Note	1996 Rupees	1995 Rupees
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		(5,350,951)	(2,381,334)

		44,649,049	47,618,666
DEFERRED EXPENDITURE PAYABLE	3	1,109,324	1,663,984
CURRENT LIABILITIES			
Current maturity of Deferred Expenditure	3.1	554,660	554,660
Due to investment adviser an associated company	4	603,547	795,852
Trade Creditors, accrued expenses and other liabilities	5	87,317	53,025
Provision for taxation		23,135	20,000
		1,268,659	1,423,537

		47,027,032	1,423,537
=====			
DEFERRED EXPENDITURE	6	1,109,324	1,663,984
INVESTMENTS - Marketable Securities	7	45,893,578	48,406,885
CURRENT ASSETS			
Advances, pre-payments & other receivable	8	327	608,235
Cash & bank balances	9	23,803	27,083

24,130 635,318

47,027,032 50,706,187

=====

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

KARACHI-December 8, 1996.

**Profit and Loss Account
For the year ended June 30, 1996**

	Note	1996 Rupees	1995 Rupees
INCOME	10	627,019	1,430,616
CAPITAL (LOSS)	11	(2,362,979)	(2,403,617)
		-----	-----
		(1,735,960)	(973,001)
Less: OPERATING EXPENSES			
Administrative	12	628,270	612,479
Financial	13	204,874	251,686
Remuneration of Investment Adviser	4.1	401,336	544,168
		-----	-----
		1,234,480	1,408,333
(Loss) before taxation		-----	-----
		(2,970,440)	(2,381,334)
Provision for taxation		3,135	-
(Loss) after taxation		-----	-----
		(2,973,575)	(2,381,334)
Prior year adjustment		3,958	-
		-----	-----
		(2,969,617)	(2,381,334)
Accumulated Loss brought forward		(2,381,334)	-
Accumulated Loss carried forward		-----	-----
		(5,350,951)	(2,381,334)
		=====	=====

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

KARACHI: December 8, 1996.

**Notes to the Accounts
For the year ended June 30, 1996.**

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated as public limited company under Companies Ordinance, 1984. and was registered as an investment company under the Investment Companies and Investment Adviser's Rules, 1971. The Company has entered into an agreement with an associated company, Tri-Star Investment (Pvt) Ltd., to act as is "Investment Adviser". The company

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 Investments is accounted for in the year in which it arise.

(iii) Full provision is made against permanent diminution in the value of investments i.e. for a period not less than 5 years.

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.

	Note	1996 Rupees	1995 Rupees
3. DEFERRED EXPENDITURE PAYABLE			
Balance on 1st July		2,218,644	2,773,304
Less : Paid during the year		554,660	554,660
Transferred to current maturity	3.1	554,660	554,660
		-----	-----
		1,109,320	1,109,320
		-----	-----
		1,109,324	1,663,984
		=====	=====

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

	Note	1996 Rupees	1995 Rupees
4. DUE TO INVESTMENT ADVISER			
TRI-STAR INVESTMENTS (PVT) LTD.			
AN ASSOCIATED COMPANY			
2 Percent of net assets		401,336	544,108
Add: Interest on deferred expenditure		202,211	251,684
		-----	-----
		603,547	795,852
		=====	=====

4.1 The remuneration of the investment adviser at 2 percent of the net assets of the company as at the end of its year of accounts in term of clause 1 l(a) of the Company and Investment Adviser's Rules, 1971 has been determined as follows:

ASSETS		
Deferred Expenditures	1,109,324	1,663,984
Marketable securities at market value	21,311,324	27,996,626
Advances, Pre-Payments and other Receivables	327	608,235
Cash & Bank Balances	23,803	27,083
	-----	-----
	22,444,778	30,295,928
	=====	=====
LIABILITIES		
Deferred Expenditure payable	1,663,984	2,218,644
Due to Investment Adviser-An associated company	603,547	795,852
Trade Creditors, accrued expenses & other liabilities	87,317	53,025
Provision for taxation	23,135	20,000
	-----	-----
	2,377,983	3,087,521
	-----	-----
Net Assets	20,066,795	27,208,407
	-----	-----
2 percent of net Assets	401,336	544,168
	=====	=====

	Note	1996 Rupees	1995 Rupees
5. TRADE CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES			
Trade Creditors		--	3,958
Audit fee		8,250	5,000
Custodian fee		74,067	44,067
Others		5,000	--
		-----	-----
		87,317	53,025
		=====	=====

6. DEFERRED EXPENDITURE		
Balance as on 1st July 1995	1,663,984	2,214,963
Less : Amortized during the year	554,660	550,979
	-----	-----
	1,109,324	1,663,984
	=====	=====

7. INVESTMENTS-MARKETABLE SECURITIES

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

NAME OF COMPANY	NUMBER OF SHARES				BALANCE AS AT JUNE 30, 1996		
	BALANCE	Purchases	Bonus	Sales	Number	At Cost	At Market
	AS AT JULY 1		Shares		of Shares	(Rupees)	(Rupees)

1995

**FINANCIAL COMPANIES,
MUTUAL FUNDS AND BANKS:**

Askari Bank Ltd.	17,250	7,500	1,735	7,500	18,985	711,964	807,520
Askari Leasing Ltd.	17,500	10,000	--	7,500	20,000	457,143	395,000
Bank AI-Habib Ltd.	55,000	--	--	15,000	40,000	1,677,294	1,240,000
Citi Corp. Investment Bank Ltd.	12,100	--	--	--	12,100	986,104	338,800
First Leasing Corp. Ltd.	10,000	2,500	--	2,500	10,00	292,000	110,000
First Tri-Star Modaraba	412,500	--	--	--	412,50	4,886,250	1,237,500
Muslim Commercial Bank Ltd.	18,687	--	7,773	--	26,460	1,637,013	992,250
N.I.T. Units	302,500	--	--	302,500	--	--	--
Orix Leasing Ltd.	--	5,000	--	--	5,000	328,000	265,000
Second Tri-Star Modaraba	468,000	--	--	--	468,000	4,812,000	1,053,000
Soneri Bank Ltd.	12,650	--	--	--	12,650	563,700	366,850
Standard Chartered Leasing Ltd.	8,000	--	--	8,000	--	--	--
Union Leasing Ltd.	2,500	1,250	--	--	3,750	98,975	24,375

TEXTILE SPINNING:

Faisal Spinning Mills Ltd.	74,000	--	--	--	74,000	2,206,265	925,000
Sana Industries Ltd.	10,000	--	--	10,000	--	--	--

TEXTILE COMPOSITE:

Crescent Textile Mills Ltd.	25,357	3,803	1,458	--	30,618	1,656,057	459,270
Kaiser Art & Kraft Ltd.	--	45,000	--	--	45,000	497,250	438,750
Mohd. Farooq Textile Mills Ltd.	45,000	--	--	9,000	36,000	903,60	432,000

SYNTHETIC & RAYON:

Dewan Salman Fibre Ltd.	23,000	--	4,600	--	27,600	3,627,541	1,104,000
Dhan Fibre Ltd.	--	100,000	--	--	100,00	760,000	600,000
Tri-Star Polyester Ltd.	190,000	--	--	--	190,000	4,755,700	836,000

CEMENT:

Lucky Cement Ltd.	--	50,000	--	--	50,000	24,600	750,000
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FUEL & ENERGY:

Hub Power Co. Ltd.	--	40,000	--	--	40,000	944,000	1,372,000
Shell Pakistan Ltd.	5,490	3,156	823	3,000	6,469	1,465,340	1,041,509
Sui Northern Gas Co. Ltd.	24,000	--	4,800	--	28,800	1,092,150	1,180,800
Tri-Star Power Ltd.	119,000	--	--	--	119,000	4,964,750	565,250

TRANSPORT & COMMUNICATION;

PTC Vouchers	--	25,000	--	--	25,000	972,500	981,250
Telecard Ltd.	--	31,000	--	31,000	--	--	--

CHEMICAL & PHARMACEUTICAL:

Engro Chemical (Pak) Ltd.	15,600	--	3,120	--	18,720	3,249,332	2,995,200
Hoechst Pakistan Ltd.	10,000	--	--	--	10,000	1,424,050	1,000,000

1996	1,878,134	324,209	24,309	396,000	1,830,652	45,893,578	21,311,324
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1995	1,556,590	445,437	84,807	298,700	1,878,134	48,405,885	27,996,626
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Contd.

PERCENTAGE IN RELATION TO

	Own	Investee Companies	
	Assets	Paid-up Capital	Number of Shares
	7.1	7.2	
FINANCIAL COMPANIES,			
MUTUAL FUNDS AND BANKS:			
Askari Bank Ltd.	1.51	0.090	0.020
Askari Leasing Ltd.	0.97	0.220	0.100
Bank AI-Habib Ltd.	3.57	0.560	0.130
Citi Corp. Investment Bank Ltd.	2.10	0.990	0.120
First Leasing Corp. Ltd.	0.62	0.190	0.070
First Tri-Star Modaraba	10.39	3.470	2.930
Muslim Commercial Bank Ltd.	3.48	0.090	0.020
N.I.T. Units	--	--	--
Orix Leasing Ltd.	0.70	0.220	0.030
Second Tri-Star Modaraba	10.23	3.740	3.640
Soneri Bank Ltd.	1.20	0.150	0.030
Standard Chartered Leasing Ltd.	--	--	--
Union Leasing Ltd.	0.21	0.070	0.020
TEXTILE SPINNING:			
Faisal Spinning Mills Ltd.	4.69	2.210	0.740
Sana Industries Ltd.	--	--	--
TEXTILE COMPOSITE:			
Crescent Textile Mills Ltd.	3.52	0.490	0.090
Kaiser Art & Kraft Ltd.	1.05	0.580	0.530
Mohd. Farooq Textile Mills Ltd.	1.92	0.480	0.190
SYNTHETIC & RAYON:			
Dewan Salman Fibre Ltd.	7.71	290	0.02
Dhan Fibre Ltd.	1.62	0.03	30
Tri-Star Polyester Ltd.	10.11	2.22	0.89
CEMENT:			
Lucky Cement Ltd.	1.97	0.040	0.020
FUEL & ENERGY:			
Hub Power Co. Ltd.	2.01	0.008	0.003
Shell Pakistan Ltd.	3.12	0.63	0.030
Sui Northern Gas Co. Ltd.	2.32	0.040	0.010
Tri-Star Power Ltd.	10.56	3.310	0.790
TRANSPORT & COMMUNICATION;			
PTC Vouchers	2.07	0.01	0.004
Telecard Ltd.	--	--	--
CHEMICAL & PHARMACEUTICAL:			
Engro Chemical (Pak) Ltd.	6.91	0.460	0.030
Hoechst Pakistan Ltd.	3.03	2.050	0.140

1996	97.60		
	=====		
1995	95.47		
	=====		

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

7.2 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.

	1996 Rupees	1995 Rupees
8. ADVANCES, PRE-PAYMENTS AND OTHER RECEIVABLES		
Receivables	327	608,235
	-----	-----
	327	608,235
	=====	=====
9. CASH AND BANK BALANCES		
Cash in hand	7,835	14,588
Cash at bank Current Account	14,940	7,608
Cash at bank PLS Account	1,028	4,887
	-----	-----
	23,803	27,083
	=====	=====
10. INCOME		
Dividend Income	632,521	1,406,960
Less : Zakat deducted at source	10,141	--
	-----	-----
	622,380	1,406,960
Return on PLS NC & term deposit	5,118	23,656
	-----	-----
	627,498	1,430,616
Less : Income Tax deducted at source	479	--
	-----	-----
	627,019	1,430,616
	=====	=====
11. CAPITAL GAIN/(LOSS)		
Sales of investments	9,698,288	10,275,900
Cost of Sales		
Opening Balance 1-7-1995	48,406,885	50,121,602
Add : Purchases	9,547,960	10,964,800
	-----	-----
	57,954,845	61,086,402
Less : Closing Stock	45,893,578	48,406,885
	-----	-----
	12,061,267	12,679,517
	-----	-----
Capital (Loss)	(2,362,979)	(2,403,617)
	=====	=====
12. ADMINISTRATIVE EXPENSES		
Listing fee	31,250	31,250
Custodian fee	30,000	25,000
Amoaziation of deferred expenditure	554,660	550,979
Auditors' remuneration - Audit lee	8,250	5,000
Misc. Expenses	4,110	250
	-----	-----
	628,270	612,479

	Note	1996	1995
13. FINANCIAL EXPENSES			
Interest on deferred expenditure		202,211	251,684
Bank charges		2,663	2
		204,874	251,686

14. ASSOCIATED UNDERTAKINGS

14.1 Transaction with Association Undertakings

i) Interest on deferred expenditure payable		202,211	251,684
ii) Remuneration for services		401,336	544,168
iii) Deferred expenditure reimbursed		544,660	554,660

14.2 The aggregate maximum balance at the end of any month during the year, due to associated undertakings was Rs. 1,350,512 (1995 Rs. 795,852).

15. GENERAL

15.1 Figures have been rounded off to the nearest rupee.

15.2 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, 1996.

	1996 Rupees	1995 Rupees
Remuneration from TRI-STAR MUTUAL FUND LTD.	401,336	544,168
Interest on deferred Expenditure	202,211	251,684
	603,547	795,852
OPERATING EXPENSES		
Salary & Allowances	78,590	253,425
Office Rent	240,000	240,000
Postage, telephone and telegrams	40,996	28,496
Printing and stationery	91,533	50,609
Travelling and conveyance	3,061	11,966
Audit Fee	5,500	5,000
Fees and subscription	213,305	225,523
Amortization of Deferred Cost	18,664	18,664
Depreciation	14,635	18,084
Entertainment	16,723	2,269
Advertisement expenses	22,000	20,150
Others	3000	5,506
Bank charges	2,250	252
Zakat	123	--
	750,380	879,944
(Loss) for the year	(146,833)	(84,092)

**Pattern of Certificate Holdings
As at June 30, 1996**

NUMBER OF CERTIFICATE HOLDER	CERTIFICATE HOLDINGS			TOTAL CERTIFICATES HELD
	FROM	TO		
353	1	--	100	35,300
3,635	101	--	500	1,681,000
561	501	--	1000	556,300
443	1001	--	5000	1,128,000
33	5001	--	10000	257,000
5	10001	--	15000	61,700
2	15001	--	20000	33,500
1	30001	--	35000	32,900
1	65001	--	70000	68,200
1	495001	--	500000	500,000
1	645001	--	650000	646,100
-----				-----
5,036				5,000,000
-----				-----

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER OF CERTIFICATE HOLDERS	CERTIFICATES PERCENTAGE HELD	
1. INDIVIDUALS	5,027	3,721,800	74.436
2. INVESTMENT COMPANIES	3	1,214,300	24.286
3. JOINT STOCK COMPANIES	4	44,400	0.888
4. FINANCIAL INSTITUTIONS	2	19,500	0.390
-----	-----	-----	-----
TOTAL	5,036	5,000,000	100.000
-----	-----	-----	-----