



V I S I O N

To be a leader among Mutual Funds of the country through prudent investments in diversified portfolio for sustained best financial results and continuing achieving maximum yield for the shareholders of First Capital Mutual Fund Limited.

M I S S I O N

At First Capital Mutual Fund Limited we would focus on creating wealth for shareholders, to conduct ourselves with dignity and the highest ethical standards, to contribute as a good corporate citizen to the society and also to provide a good working environment that will surely stimulate talent and reward hard work.

CONTENTS

Company Information	04
Notice of Annual General Meeting	05
Financial Highlights	07
Directors' Report	08
Statement of Compliance with Code of Corporate Governance	11
Auditors' Review Report on Statement of Compliance with Code of Corporate Governance	13
Auditors' Report to the Members	14
Balance Sheet	15
Profit and Loss Account	16
Cash Flow Statement	17
Statement of Changes in Equity	18
Statement of Movement in Equity & Reserves	19
Distribution Statement	20
Notes to the Accounts	21
Performance Table	34
Statement of Income & Expenditure in Relation to the Investment Company	35
Pattern of Shareholding	36
Form of Proxy	39

COMPANY INFORMATION

Board of Directors

Salmaan Taseer (Chairman)
Muhammad Faisal Potrik (Chief Executive Officer)
Sardar Ali Wattoo
Khawaja Khalil Shah
Muhammad Shuaib Yousaf
Muhammad Naveed Tariq
Ahmad Bilal

Chief Financial Officer

Syed Kashan Kazmi

Audit Committee

Muhammad Shuaib Yousaf (Chairman)
Sardar Ali Wattoo (Member)
Muhammad Naveed Tariq (Member)

Company Secretary

Ahmad Bilal

Investment Committee

Mr. Muhammad Faisal Potrik (Chairman)
Syed Kashan Kazmi (Member)
Ali Ahmad Minhas (Member)

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Adviser

Rehman Saleem & Tarar
Advocates

Custodian

Crescent Commercial Bank Limited

Investment Advisers

First Capital Investments Limited
103-C/II, Gulberg-III,
Lahore

Registered Office / Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 5757591-4
Fax: (042) 5757590, 5877920

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor, Modern Motors House,
Beaumont Road
Karachi
☎ (021) 5689021

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited (“the Company”) will be held on 29 October 2005 at 12:30 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of last Extraordinary General Meeting held on 28 January 2005;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2005 together with the Directors' and Auditors' reports thereon;
3. To approve the final cash dividend @ 10% as recommended by the Board of Directors;
4. To appoint Auditors of the Company for the year ended 30 June 2006 and fix their remuneration.

By order of the Board

Lahore
29 September 2005

Ahmad Bilal
Company Secretary

Notes:

- 1) The register of members will remain closed from 22 October 2005 to 29 October 2005 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, Modern Motors House, Beaumont Road Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 21 October 2005 will be considered in time for the purpose of determining entitlement to the final cash dividend as recommended by the Board of Directors of the Company.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.

- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
 - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

FINANCIAL HIGHLIGHTS

	Rupees in Thousands									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Capital gain/(loss)	23,746	9,674	34,472	2,939	(4,964)	15,135	(37,942)	1,859	(12,157)	(10,584)
Dividend income	4,749	4,699	7,596	7,163	2,328	4,830	2,369	3,916	5,403	1,039
Gain/(loss) on re-measurement of marketable securities	(0.716)	11,925	11,241	(8,189)	(273)	288	(45,472)	30,000	12,770	16,332
Operating expenses	3,880	5,019	4,166	3,564	2,423	4,006	4,519	5,284	5,125	5,875
Net gain/(loss) before taxation	24,094	21,377	49,186	(1,544)	(4,614)	16,230	6,263	(27,447)	1,497	(29,447)
Taxation	-	234	-	430	169	182	132	196	270	52
Net gain/(loss) after taxation	24,094	21,142	49,185	(1,974)	(4,783)	16,048	6,131	(27,643)	1,227	(29,499)
Net assets	142,611	118,517	97,375	85,689	87,663	92,446	83,898	77,767	105,410	104,184
Net assets per share	9.51	7.91	6.49	5.71	5.85	6.16	5.59	5.18	7.03	6.95
Earning per share	1.61	1.41	3.28	(0.13)	0.32	1.07	0.41	(1.84)	0.08	(1.96)
Dividend distribution	10%	Nil	25%	Nil	Nil	5%	Nil	Nil	Nil	Nil
KSE 100 Index	7450	5279	3402	1770	1366	1520	1054	879	1565	1703

DIRECTORS' REPORT

The directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the annual report of the Company together with the audited accounts for the year ended June 30, 2005.

Economy and Stock Market

The Karachi Stock Exchange (KSE) continued its upward surge in the fiscal year FY05 and continues its bullish trend for the last three years on. The stock market has undergone a paradigm shift taking its cue from Pakistan's radically changed international stature as well as the economic turnaround that has seen asset prices soar across the board. For the outgoing year FY05 (July 1, 2004 to June 30, 2005), the benchmark KSE-100 index recorded an increase of 2171 points (41%). However, more importantly, FY05 was marked by some extreme volatility as the KSE-100 index touched its all time high of 10,303 points on March 15, 2005 and subsequently plunged by 2595 points (25%) in just 8 trading sessions prompting a panic in the market. However, the market has since then recovered with the KSE-100 closing the year decently at 7450 points mark. We expect the market to continue its rise in the coming year in line with very strong corporate result announcement especially in the banking as well as the oil and gas sectors. Rising interest rate would increase banks' spreads and profitability while record high international oil prices would increase earnings of oil companies' in general and upstream oil and gas companies in particular. On the economic front, real GDP growth is expected in the range of 6.5% for FY06, one of the highest in the region. At the same time some areas of concern remain including the impact on trade deficit of record oil prices as well as inflationary concerns, which are forcing the central bank to raise interest rates.

Fund Performance

During the year FY05, your Fund recorded a Profit after Tax (PAT) of Rs 24.1mn (EPS: Rs 1.61), 13% higher as compared to a PAT of Rs21.1mn (EPS: Rs 1.41) recorded in FY04. This was a result of substantially higher capital gains booked by the Company during the year and a stable dividend income as compared to last year. In addition, the Company also managed to lower operating expenses by 23% aiding the growth in bottom line.

The Net Asset Value (NAV) per share of your Company stood at Rs 9.52 at the end of the year, 20% higher than the NAV per share of Rs 7.91 recorded at the end of last year. Portfolio re-structuring of the Fund is nearly complete and shareholding in some stocks in excess of that allowed by the NBFC rules has been re-adjusted to bring them in compliance to the stated rules. Furthermore, concentration is now on investing in fundamentally sound and liquid stocks.

Future Outlook

We are positive for the future on the back of sustained economic growth for the foreseeable future manifesting itself in the form of earnings growth for the corporate sector and resultantly positively impacting stock prices in particular and the stock market in general. We aim to outperform the market and to generate higher than average returns for our investors.

Dividend

The Board of Directors proposed final cash dividend at Rs. 1 per share for the financial year ended 30 June 2005.

Earnings per share

Earnings per share for the year ended June 30, 2005 were Rs1.61 as compared to Rs1.41 for the last year.

Investment objective

FCMF aims to provide consistent long-term return through pro-active investment in equity market. The investment will envisage capital appreciation & reduce opportunity cost through active risk management.

Investment policy

First Capital Mutual Fund (FCMF) will invest in listed securities or companies which are proposed to be listed. The proportion of investment in stocks of different companies & across different sectors will be based upon expected return & inherent risks while proportion of investment in stocks or fixed income securities would be according to the guidelines contained in the NBFC Rules.

FCMF will seek to augment wealth of investors through investments geared towards securing long term return viz capital gains & dividend income while simultaneously off-setting resultant risks through efficient diversification across sectors with low correlation amongst them. Stock selections will be conducted by the Management Company using fundamental analysis while the timings of investment will be adjusted through the use of technical analysis.

FCMF shall not invest in any security more than ten percent (10%) of the total Net Asset of FCMF or ten percent (10%) of the issued capital of such company. FCMF shall adhere to the guidelines set forth in NBFC Rules, 2003 in relation to investment policy.

Changes in the Board of Directors

Since the last report, there have been changes in the composition of the Board of Directors. During the year Lt. Gen (R) Humayun Khan Bangash, Mr. Muhammad Ashraf Ali and Mr. Kashan Kazmi have resigned from the Board and Mr. Sardar Ali Wattoo, Khwaja Khalil Shah and Mr. Ahmad Bilal have been appointed in their places respectively with the approval of the Securities and Exchange Commission of Pakistan (“SECP”). Furthermore, Mr. Muhammad Jafar Khan has resigned as Director/Chief Executive and Mr. Muhammad Faisal Potrik has been appointed in his place as Director/Chief Executive with the approval of the SECP. During the year Election of Directors was also held and the following Directors were elected unopposed for the term of next three years commencing from 15 February 2005, namely Mr. Salmaan Taseer, Mr. Muhammad Jafar Khan, Mr. Sardar Ali Wattoo, Mr. Muhammad Shuaib Yousaf, Mr. Muhammad Naveed Tariq, Mr. Muhammad Ashraf Ali and Mr. Ahmad Bilal. After the said election of Directors Mr. Muhammad Jafar Khan has been re-appointed as Chief Executive officer of the Company for the term of next three years commencing from 15 February 2005.

Board Meetings

Five meetings were held during the financial year. Attendance by each is as under:

Directors	Number of Board Meetings Attended
Salmaan Taseer (Chairman)	5
Muhammad Faisal Potrik (Chief Executive)	-
Sardar Ali Wattoo	2
Khwaja Khalil Shah	-
Muhammad Shuaib Yousaf	5
Muhammad Naveed Tariq	5
Ahmad Bilal	2
Lt. Gen. (R) Humayun Khan Bangash (Resigned)	3
Muhammad Jafar Khan (Resigned)	2
Muhammad Ashraf Ali (Resigned)	4
Syed Kashan Kazmi (Resigned)	3

The directors who could not attend were granted leave by the Board.

Trading of Directors

During the year under review, no trading in the Company's shares were carried out by the Directors, CFO, CEO, Company Secretary and their spouses including any minor children.

Audit Committee

During the year, there has been one change in the audit committee of the Board as Lt. Gen. (R) Humayun Khan Bangash has resigned and Mr. Sardar Ali Wattoo has been appointed in his place as the Member of the audit committee. At present, the audit committee consist of the following directors:

Muhammad Shuaib Yousaf	Chairman
Sardar Ali Wattoo	Member
Muhammad Naveed Tariq	Member

Statement of Compliance with the best practices on Transfer Pricing

The Company has fully complied with the best practices on transfer pricing to the extent as contained in the listing regulations of stock exchanges.

Code of Corporate Governance (CCG)

The Company for the year ended 30 June 2005 has duly complied with the provisions of the relevant code of corporate governance. The directors hereby confirm the following as required by Clause (XIX) of the Code:

1. The preparation of financial statements is the responsibility of the management of the Company. The enclosed financial statements fairly present its state of affairs, the result of operations, cash flow and changes in equity, statement of movement in reserves and distribution statement of the Company.
2. Proper books of account have been maintained as required by the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules 2003. The Company has followed the International Accounting Standards (IAS) as applicable in Pakistan.
3. The management has applied appropriate accounting policies during the year, which are also consistent with the last year, except those which are changed due to the adoption of new IAS by the Securities & Exchange Commission of Pakistan.
4. The accounting estimates are based on reasonable and prudent judgment and are in accordance with the criteria available in the respective IAS.
5. There exist sound internal controls, which were effectively implemented and monitored during the year under review.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of CCG.
8. The key financial data of last ten years are attached to this report.
9. There are no outstanding statutory payments on account of taxes, duties, levies and charges.
10. The statement as to the value of investments of provident fund, gratuity and pension funds is not applicable as the Investment Adviser is managing the Fund.

Auditors

The present Auditors, Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorse the recommendation of the Audit Committee for the re-appointment of Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants as the auditors of the Company for the financial year ended 30 June 2006.

Pattern of Shareholding

The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

Acknowledgement

The Directors wish to thank all the shareholders of the Company and members of the stock exchanges for their support. Furthermore, the Directors would like to place on record their appreciation of the Securities and Exchange Commission of Pakistan (SECP) for their valuable support and guidance towards the betterment of the Company.

For and on behalf of the Board

Lahore:
29 September 2005

Muhammad Faisal Potrik
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2005

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least two independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, DFI's or NBFI's. No one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filed up by the directors within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore:
29 September 2005

Muhammad Faisal Potrik
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF
COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE
GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **First Capital Mutual Fund Limited** to comply with the Listing Regulation No. 37 (Chapter XI) and No. 43 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

LAHORE
29 September 2005

FORD RHODES SIDAT HYDER & Co.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Capital Mutual Fund Limited** as at June 30, 2005 and the related profit and loss account, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and Rule 57 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984 and Rule 57 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 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 Schedule-I to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for change in accounting policy as stated in note 4.1 to the financial statements to which we concur;
 - 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;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 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, 2005 and of the profit, its cash flows, changes in equity, movement in reserves and distribution for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE
29 September 2005

FORD RHODES SIDAT HYDER & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT 30 JUNE 2005

	NOTE	<u>2005</u> Rupees	<u>2004</u> Rupees
ASSETS			
NON CURRENT ASSET			
Long Term Deposit		37,500	75,000
CURRENT ASSETS			
Investments - held for trading	5	119,071,285	114,861,720
Trade and other receivables	6	15,088,499	1,528,889
Bank balances	7	25,609,014	6,246,590
TOTAL ASSETS		<u>159,806,298</u>	<u>122,712,199</u>
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company	8	2,624,117	2,148,636
Trade and other payables	9	14,119,232	1,436,760
Provision for taxation		451,536	610,027
TOTAL LIABILITIES		<u>17,194,885</u>	<u>4,195,423</u>
NET ASSETS		<u><u>142,611,413</u></u>	<u><u>118,516,776</u></u>
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
35,000,000 (2004: 35,000,000)			
ordinary shares of Rs. 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up capital	10	150,000,000	150,000,000
Accumulated loss		<u>(7,388,587)</u>	<u>(31,483,224)</u>
		<u><u>142,611,413</u></u>	<u><u>118,516,776</u></u>
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	<u>2005</u> Rupees	<u>2004</u> Rupees
INVESTMENT INCOME			
Capital Gain on sale of listed securities	12	23,746,259	9,674,710
Dividend income	13	4,749,168	4,699,542
Other income	14	196,034	96,694
		<u>28,691,461</u>	<u>14,470,946</u>
Unrealized (loss) / gain due to change in fair value of Marketable Securities	5	(716,457)	11,924,952
		<u>27,975,004</u>	<u>26,395,898</u>
OPERATING EXPENSES			
Administrative expenses	15	1,256,250	2,868,940
Remuneration of investment adviser	8	2,624,117	2,148,636
Finance Cost		-	1,390
		<u>3,880,367</u>	<u>5,018,966</u>
PROFIT BEFORE TAXATION		<u>24,094,637</u>	<u>21,376,932</u>
PROVISION FOR TAXATION			
- Current year		-	234,977
PROFIT FOR THE YEAR		<u><u>24,094,637</u></u>	<u><u>21,141,955</u></u>
EARNINGS PER SHARE- BASIC	16	<u><u>1.61</u></u>	<u><u>1.41</u></u>

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	24,094,637	21,376,932
Adjustment for:		
Dividend Income	(4,749,168)	(4,699,542)
Unrealized loss / (gain) due to change in fair value of listed securities	716,457	(11,924,952)
	(4,032,711)	(16,624,494)
Operating profit before working capital changes	20,061,926	4,752,438
Decrease in Security Deposit	37,500	75,000
(Increase)/decrease in current assets:		
Investments in listed securities	(4,926,022)	(837,781)
Trade receivables	(13,624,662)	14,364,811
	(18,550,684)	13,527,030
Increase in current liabilities		
Due to investment adviser	475,481	110,250
Trade and other payables	12,726,520	98,930
	13,202,001	209,180
Cash generated from operations	14,750,743	18,563,648
Tax Paid	(249,555)	(67,644)
Dividend received	4,905,284	4,889,208
Net cash generated from operating activities	19,406,472	23,385,212
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(44,048)	(36,891,058)
Net cash used in financing activities	(44,048)	(36,891,058)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,362,424	(13,505,846)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	6,246,590	19,752,436
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25,609,014	6,246,590

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

	Share Capital	Accumulated loss	Total
	Rupees	Rupees	Rupees
Balance as on June 30, 2003 as previously reported	150,000,000	(52,625,179)	97,374,821
Restatement considered necessary due to revision in Fourth Schedule to the Companies Ordinance, 1984.			
Interim dividend @ Rs. 2.50 per share declared on August 04, 2003, from the profit of year 2003	-	37,500,000	37,500,000
Balance as on June 30, 2003 Restated	150,000,000	(15,125,179)	134,874,821
Interim dividend @ Rs. 2.50 per share for the year 2003	-	(37,500,000)	(37,500,000)
Profit for the year ended June 30, 2004	-	21,141,955	21,141,955
Balance as on June 30, 2004	150,000,000	(31,483,224)	118,516,776
Profit for the year ended June 30, 2005	-	24,094,637	24,094,637
Balance as on June 30, 2005	150,000,000	(7,388,587)	142,611,413

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES

FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
NET ASSETS PER SHARE AS AT JULY 01	7.91	6.49
INCOME/GAIN FROM TRANSACTIONS IN LISTED SECURITIES - PER SHARE	1.58	0.64
(LOSS) / GAIN DUE TO CHANGE IN FAIR VALUE OF LISTED SECURITIES - PER SHARE	(0.04)	0.79
OTHER NET INCOME EXCLUDING CAPITAL GAIN FOR THE YEAR	0.07	(0.01)
PROFIT FOR THE YEAR - PER SHARE	1.61	1.42
DIVIDEND FOR THE YEAR - PER SHARE	-	-
NET ASSETS PER SHARE AS AT JUNE 30	9.52	7.91

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	<u>2005</u> Rupees	<u>2004</u> Rupees
ACCUMULATED LOSS BROUGHT FORWARD (RESTATED FOR 2004)	(31,483,224)	(15,125,179)
INTERIM DIVIDEND @ RS. 2.50 PER SHARE FOR THE YEAR 2003	-	(37,500,000)
PROFIT FOR THE YEAR	24,094,637	21,141,955
ACCUMULATED LOSS CARRIED FORWARD	<u>(7,388,587)</u>	<u>(31,483,224)</u>

The annexed notes form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

1. STATUS AND NATURE OF BUSINESS

First Capital Mutual Fund Limited (the company) was incorporated in Pakistan on January 08, 1995 as a public limited company under the Companies Ordinance, 1984, having registered office at 103-C/II Gulberg III, Lahore. The company commenced its operations on March 14, 1995. The company is listed on Karachi and Lahore Stock Exchanges. It was registered with the Securities and Exchange Commission of Pakistan ('Commission') as an Investment Company under the Investment Companies and Investment Advisor's Rules, 1971. The Investment Companies and Investment Advisor's Rules, 1971, have been repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Subsequently, the company has been registered with the Commission as an investment company under the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003. The object of the company is to carry on the business of a close-ended mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchange.

The company has an agreement with First Capital Investments Limited, an associated company, to provide investment advisory services. The custodian of the company is Crescent Commercial Bank Limited.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and directives issued by the Commission. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or directives issued by Commission differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or the requirements of the said directives take precedence.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for listed securities, which are stated at their fair values.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Change in accounting policy

During the year, the Company changed its accounting policy with respect to the treatment of recognising dividends declared after the balance sheet date, consequential to amendment in the Fourth Schedule to the Companies Ordinance, 1984. In order to conform with the Fourth schedule to the Companies Ordinance, 1984 and the treatment in IAS 10, "Events after the Balance Sheet Date", the company now recognises dividends as a liability at the time of their declaration rather than at the balance sheet date.

Had there been no change in accounting policy, the effect on the financial statements would be as follows:

	2005	2004
	Rupees	Rupees
Increase in accumulated loss at the end of the year	15,000,000	–
Decrease in net assets	15,000,000	–
Increase in proposed dividend	15,000,000	–

Accumulated loss as at July 1, 2003 has been decreased by Rs. 37,500,000 which is the amount of the dividend relating to period prior to July 1, 2003. The effect of change in accounting policy has been reflected in the comparative statement of changes in equity. The change in accounting policy has not resulted in any change in the net profit for the current year.

4.2. Investments Listed Securities

Investment in listed Securities including in associated companies are classified as held for trading. These are securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are measured at their fair values. Unrealised gains and losses on investments are recognised in profit and loss account of the period.

Fair values of these securities representing listed equity and debt securities are determined by reference to stock exchange quoted market prices at the close of business on balance sheet date.

4.3. Securities under Repurchase/ resale agreements - Carry over Transactions

The listed equity securities purchased and sold with simultaneous commitment to resale / repurchase are presented as receivable / payable under reverse repurchase/repurchase transaction and the difference between the purchase and resale consideration is recognised on an accrual basis considering settlement dates.

4.4. Taxation

4.4.1 Current Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any.

No charge for current taxation is made in the financial statements if the company intends to distribute 90 percent or more of its accounting profit as reduced by capital gains whether realized or unrealized amongst its shareholders in accordance with the exemption available under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.4.2 Deferred Taxation

Deferred tax is provided in full using the liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted at the balance sheet date.

The deferred tax asset on unused tax losses has not been recognised in these financial statements, as the company intends to continue availing the tax exemption in future years and management believes that tax benefit relating to carried forward tax losses would not be utilized.

4.5 Revenue Recognition

4.5.1 Capital Gains

Sales and purchase of securities are recorded on the date of execution of contract. Capital gains or losses, calculated as the difference between the sales proceeds excluding transaction cost, and the carrying amount of a security is included in profit and loss for the period. Carrying value of the security for this purpose is calculated on an individual portfolio basis using the moving average method.

4.5.2 Dividend

Dividend income is recognised at the time of closure of share transfer book of the company declaring the dividend.

4.5.3 Markup on Bank Deposits

Return on bank deposits is recognised on accrual basis.

4.6 Trade date accounting

All regular way purchases / sales of investments are recognised on the trade date i.e. the date the company commits to purchase / sale the investments. Regular way purchase / sale of investments require delivery of securities within three days after the transaction date as required by the stock exchanges regulations.

4.7 Financial Instrument

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument.

The company de-recognizes a financial asset or portion of financial asset when, and only when, the company loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognised from the balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on recognition, de-recognition of financial assets and financial liabilities are stated in their respective notes.

4.8 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.9 Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.10 Related Party Transactions

All transactions with related parties are entered into at an arm's length determined in accordance with "Comparable uncontrolled price method".

4.11 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalent comprise cash in hand, cheques in hand and bank balances.

5. INVESTMENTS - HELD FOR TRADING

Name of company	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2005			PERCENTAGE IN RELATION TO			
	Opening	Purchase	Bonus/Right	Sales	Cost	Carrying Amount	Market Value	Own net Assets At Cost	No. of Shares of investee Company	Total Investment at Cost	Market Value
Rupees											
Closed-End Mutual Fund											
I.C.P. S.E.M.F	100,250	-	-	100,250	-	-	-	-	-	-	-
Leasing Companies											
Union Leasing Limited.	-	108,000	-	-	-	-	-	-	-	-	-
Investment Companies / Banks											
First Capital Equities Limited	400,000	-	-	185,000	2,997,100	12,685,000	12,685,000	2.11	8.91	0.90	2.78
Jahangir Siddiqui & Company Limited	54,800	8,400	-	63,200	-	-	-	-	-	-	10.65
P.I.C.I.C. Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Commercial Banks											
National Bank of Pakistan	-	915,000	8,660	831,700	9,821,218	9,927,082	9,927,082	6.90	6.98	0.02	9.12
The Bank of Punjab	-	17,500	1,500	19,000	-	-	-	-	-	-	-
Muslim Commercial Bank Limited.	-	240,000	-	240,000	-	-	-	-	-	-	-
Union Bank Limited	-	452,500	36,894	293,000	8,249,098	7,757,563	7,757,563	5.80	5.45	0.08	7.66
Askari Commercial Bank Limited	-	300,000	-	300,000	-	-	-	-	-	-	-
Insurance Companies											
Shaheen Insurance Company Limited*	785,987	-	-	785,987	-	-	-	-	-	-	-
Adamjee Insurance Company Limited	-	310,000	-	310,000	-	-	-	-	-	-	-
New Jubilee Life Insurance Company Limited (Formerly Commercial Union Life Assurance Limited.)	44,500	-	-	44,500	-	-	-	-	-	-	-
Textile Weaving											
Samin Textile Mills Limited	130,500	-	-	130,500	-	-	-	-	-	-	-
Textile Composite											
Nishat Mills Limited	-	307,500	-	282,500	2,507,020	2,507,020	1,900,000	1.76	1.34	0.02	2.33
Nishat (Chunian) Limited	-	109,500	36,750	36,000	7,422,559	7,422,559	10,484,775	5.22	7.37	0.16	6.89
Kohinoor Industries Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Suraj Cotton Mills Limited	-	65,000	-	5,000	3,217,296	3,217,296	3,000,000	2.26	2.11	0.33	2.99
Textile Spinning											
Gadoon Textile Mills Limited	-	30,000	-	30,000	3,211,089	3,211,089	2,461,500	2.26	1.73	0.13	2.98
Synthetic & Rayon											
Devan Salman Fibre Limited	-	200,000	-	200,000	-	-	-	-	-	-	-

These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.

5. INVESTMENTS

Name of company	NUMBER OF SHARES/ CERTIFICATES					BALANCE AS AT JUNE 30, 2005			PERCENTAGE IN RELATION TO					
	Opening	Purchase	Bonus/Right	Sales	Closing Balance	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net Assets At Cost	Market Value	No. of Shares of Investee Company	Total Investment at Cost	Market Value
	Rupees													
These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.														
Cement														
Gharibwal Cement Limited	-	28,500	-	28,500	-	-	-	-	-	-	-	-	-	-
Pioneer Cement Limited	-	150,000	-	150,000	-	-	-	-	-	-	-	-	-	-
Devan Cement Limited (Formerly Pakland Cement Limited.)	41,512	-	-	-	41,512	228,316	1,305,552	788,728	(516,824)	0.16	0.55	0.05	0.21	0.66
D.G.Khan Cement Company Limited	-	385,000	-	325,000	60,000	3,728,616	3,728,616	3,345,000	(383,616)	2.62	2.35	0.03	3.46	2.81
Lucky Cement Limited	-	600,000	-	600,000	-	-	-	-	-	-	-	-	-	-
Refinery														
National Refinery Limited	8,100	-	-	4,600	3,500	636,688	646,975	1,107,050	460,075	0.45	0.78	0.01	0.59	0.93
Power Generation and Distribution														
Hub Power Company Limited	-	15,000	-	15,000	-	-	-	-	-	-	-	-	-	-
Kot Addu Power Company Limited	-	121,000	-	-	121,000	4,593,269	4,593,269	4,567,750	(25,519)	3.23	3.21	0.01	4.26	3.84
Oil & Gas Marketing Companies														
Pakistan State Oil Company Limited	35,001	310,000	-	320,001	25,000	9,226,502	9,686,045	9,650,000	(36,045)	6.48	6.78	0.01	8.56	8.10
Shell Pakistan Limited	-	10,000	-	-	10,000	5,611,190	5,611,190	5,539,000	(72,190)	3.94	3.89	0.03	5.21	4.65
Sui Northern Gas Pipelines Limited	-	640,500	-	590,500	50,000	3,049,210	3,049,210	3,065,000	15,790	2.14	2.15	0.01	2.83	2.57
Sui Southern Gas Company Limited	-	215,000	-	215,000	-	-	-	-	-	-	-	-	-	-
Oil & Gas Exploration Companies														
Pakistan Oil Fields Limited	30,000	160,000	-	140,000	50,000	13,611,586	13,454,560	14,070,000	615,440	9.57	9.89	0.04	12.64	11.82
Oil & Gas Development Company Limited	50,000	1,194,100	-	1,169,100	75,000	7,268,285	7,985,115	7,897,500	(87,615)	5.11	5.55	0.00	6.75	6.63
Pakistan Petroleum Limited	-	677,000	-	677,000	-	-	-	-	-	-	-	-	-	-
Automobile Assembler														
Indus Motors Company Limited	10,000	60,300	-	10,000	60,300	7,328,102	7,328,102	5,427,000	(1,901,102)	5.15	3.81	0.08	6.80	4.56
Transport														
Pakistan Inter. Container Limited	25,000	-	-	25,000	-	-	-	-	-	-	-	-	-	-
Pakistan International Airlines Corporation	225,000	-	-	225,000	-	-	-	-	-	-	-	-	-	-
Technology & Communication														
Pakistan Telecommunication Company Limited	250,000	1,635,000	-	1,835,000	50,000	3,417,795	3,308,690	3,297,500	(11,190)	2.40	2.32	0.00	3.17	2.77
Callmate Telegs Telecom Limited	-	150,000	-	150,000	-	-	-	-	-	-	-	-	-	-
WorldCALL Communications Limited*	85,125	-	-	75,125	10,000	148,339	142,000	100,000	(42,000)	0.10	0.07	0.01	0.14	0.08
WorldCALL Broadband Limited*	100,000	-	-	100,000	-	-	-	-	-	-	-	-	-	-
TRG Pakistan Limited	-	400,000	-	400,000	-	-	-	-	-	-	-	-	-	-

5. INVESTMENTS

Name of company	NUMBER OF SHARES/ CERTIFICATES					BALANCE AS AT JUNE 30, 2005			PERCENTAGE IN RELATION TO					
	Opening	Purchase	Bonus/Right	Sales	Closing Balance	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net Assets At Cost	Market Value	No. of Shares of Investee Company	Total Investment at Cost	Market Value
Rupees														
Fertilizer														
Engro Chemical Limited	25,000	10,000	-	35,000	-	-	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	90,000	27,500	20,690	105,000	33,190	3,518,331	4,134,439	4,027,607	(106,832)	2.47	2.83	0.01	3.27	3.38
Fauji Fertilizer Bin Qasim Limited	-	325,000	-	200,000	125,000	3,168,825	3,168,825	3,362,500	193,675	2.23	2.36	0.01	2.94	2.82
Pharmaceuticals														
Glaxo Smithkline Pakistan Limited	20,000	-	3,900	500	23,400	4,291,828	4,055,999	4,117,230	61,231	3.03	2.89	0.03	3.98	3.46
Chemicals														
ICI Pakistan Limited	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-	-
Pakistan PTA Limited	50,000	200,000	-	250,000	-	-	-	-	-	-	-	-	-	-
Paper & Board														
Packages Limited	12,500	-	3,525	12,500	3,525	475,875	475,875	493,500	17,625	0.33	0.35	0.01	0.44	0.41
Total						107,728,137	119,787,742	119,071,285	(716,457)					
June 30, 2004						89,825,957	102,936,768	114,861,720	11,924,952					

These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.

* These are related parties.

5.1 Net assets are as defined in rule 2 (XXXIV) of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.

5.2 The percentage in relation to the own net assets (of the company) has been calculated in relation to the cost and market value of the respective investments.

5.3 The percentage in relation to the investee company's paid up capital has been calculated with reference to the number of shares held in that investee company.

	Note	<u>2005</u> Rupees	<u>2004</u> Rupees
6. TRADE AND OTHER RECEIVABLES			
On account of sale of shares- unsecured considered good		13,624,662	-
Dividend receivable		367,977	524,093
Advance tax		1,095,860	1,004,796
		<u>15,088,499</u>	<u>1,528,889</u>

7. BANK BALANCES

Cash at bank:

current accounts		25,098,214	5,328
deposit accounts		510,800	6,241,262
		<u>25,609,014</u>	<u>6,246,590</u>

7.1 The balance in Deposit accounts bear mark-up, which ranges between 2% to 3% per annum (2004: 2.25% to 3% per annum).

	Note	<u>2005</u> Rupees	<u>2004</u> Rupees
8. DUE TO INVESTMENT ADVISER			
- AN ASSOCIATED COMPANY			
Balance as at July 01,		2,148,636	2,038,386
Remuneration for the year @ 2% of net assets	8.1	2,624,117	2,148,636
		<u>4,772,753</u>	<u>4,187,022</u>
Less: Payments made during the year		<u>(2,148,636)</u>	<u>(2,038,386)</u>
		<u>2,624,117</u>	<u>2,148,636</u>

8.1 The remuneration of the Investment Adviser First Capital Investment Limited, an associated company, has been calculated as required under Rule 53 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which requires that Investment Adviser is entitled to a remuneration @ 2% of the average annual net assets of the company. The remuneration of the Investment Adviser has been determined as follows:

	2005	2004
	Rupees	Rupees
Average annual net assets after charging remuneration of Investment Advisor and annual fee to SECP	131,205,849	107,431,792
2% of annual average net assets	2,624,117	2,148,636

9. TRADE AND OTHER PAYABLES

Accrued custodian fee	88,856	121,738
Payable on account of purchase of listed equity securities	12,789,366	33,647
Audit fee	155,000	105,000
Annual fee-SECP	131,206	177,523
Unclaimed dividend	954,804	998,852
	14,119,232	1,436,760

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

15,000,000 (2004: 15,000,000) Ordinary shares of Rs. 10/- each fully paid in cash	150,000,000	150,000,000
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10.1 First Capital Investment Limited, an associated company, holds 1,500,000 (2004: 1,500,000) ordinary shares of Rs. 10/- each representing 10% (2004: 10%) of the issued and paid up capital of the company.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

The company's tax assessments have been finalized up to the taxation officer level till Tax Year 2004. The DCIT raised tax demands aggregating Rs.820,725/- for the assessment years from 1998-1999 to 2002-2003, which are being contested at the appellate level. Provision for additional tax liability has not been made in these financial statements, as the Company is confident of favourable outcome of the appeals.

11.2 Commitments

Rs. Nil (2004:Rs. Nil)

	Note	<u>2005</u> Rupees	<u>2004</u> Rupees
12. CAPITAL GAIN			
Sales		904,007,302	796,914,919
Less: Cost of sales	12.1	<u>880,261,043</u>	<u>787,240,209</u>
		23,746,259	9,674,710
Income from repurchase of listed equity securities		-	-
		<u>23,746,259</u>	<u>9,674,710</u>
12.1 Cost of sales			
Opening Investments		114,861,720	102,098,987
Add: Purchases		<u>885,187,064</u>	<u>788,077,990</u>
		1,000,048,784	890,176,977
Less: Closing stock		<u>119,787,741</u>	<u>102,936,768</u>
		<u>880,261,043</u>	<u>787,240,209</u>

13. DIVIDEND INCOME

This includes an amount of Rs. Nil (2004: Rs.1,178,981) received from Shaheen Insurance Company Limited an associated company.

	Note	<u>2005</u> Rupees	<u>2004</u> Rupees
14. OTHER INCOME			
Return on bank accounts		115,451	96,694
Miscellaneous income		<u>80,583</u>	-
		<u>196,034</u>	<u>96,694</u>

15. ADMINISTRATIVE EXPENSES

Custodian fee and CDC charges		671,122	2,061,151
Auditors' remuneration	15.1	237,250	171,950
Annual fee to SECP		131,206	107,432
Annual subscription fee- MUFAP		131,905	124,613
Fee for increase in authorized capital		-	375,000
Professional Fee		-	25,000
Other expenses		84,767	3,794
		<u>1,256,250</u>	<u>2,868,940</u>

	2005 Rupees	2004 Rupees
15.1 Auditors' remuneration includes the following:		
Annual audit fee	125,000	90,000
Fee for review of half-yearly accounts	45,000	40,000
Special certifications	60,000	25,000
Out of pocket expenses	7,250	16,950
	237,250	171,950

16. EARNINGS PER SHARE - Basic

There is no dilutive effect on the basic earnings per share of the company, which is based on:

Profit attributable to ordinary shareholders (Rupees)	24,094,637	21,141,955
Weighted Average Number of ordinary shares (Numbers)	15,000,000	15,000,000
Earnings per share (Rupees)	1.61	1.41

17. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors and key management personnel and associated companies. The nature of transactions with associated companies is as follows:

	Note	2005 Rupees	2004 Rupees
First Capital Equities Limited			
- Purchase of shares		16,104,850	58,005,670
- Sale of shares		15,415,895	88,647,205
- Commission paid		34,612	290,203
Shaheen Insurance Company Limited			
- Dividend income	13	-	1,178,981
First Capital Investments Limited			
- Fee to investment advisor		2,624,117	2,148,636

17.1 Amount due from / to related parties, if any, at the year end is disclosed in note 6 and 8 of these financial statements.

17.2 Investment held in related parties is disclosed in note 5 of these financial statements.

17.3 First Capital Equities Limited (FCEL) ceased to be an associated company from January 01, 2005, due to the resignation of the Chief Executive of the Company, who was also a director in FCEL.

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

18.1 The company's exposure to interest rate risk and the effective rates of its financial assets and liabilities are summarized as follows:

2005	Interest bearing				Non interest bearing				Total
	(Amount in Rupees)				(Amount in Rupees)				
	One month to three months	Three months to one year	One Year to five years	More than five year	One month to three months	Three months to one year	One year to five years	More than five years	
Financial Assets									
Investments	-	-	-	-	119,071,285	-	-	-	119,071,285
Trade and other receivables	-	-	-	-	13,992,639	-	-	-	13,992,639
Long term deposit	-	-	-	-	-	-	-	37,500	37,500
Bank balances	-	510,800	-	-	25,098,214	-	-	-	25,609,014
	-	510,800	-	-	158,162,138	-	-	37,500	158,710,438
Effective interest rates	2% to 3%								
Financial liabilities									
Due to Investment Adviser	-	-	-	-	2,624,117	-	-	-	2,624,117
Trade and other payables	-	-	-	-	14,119,232	-	-	-	14,119,232
	-	-	-	-	16,743,349	-	-	-	16,743,349
On Balance Sheet Gap	-	510,800	-	-	141,418,789	-	-	37,500	141,967,089
Off Balance Items									
- Contingencies	-	-	-	-	-	-	-	-	-
- Commitments	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
2004									
2004	Interest bearing				Non interest bearing				Total
	(Amount in Rupees)				(Amount in Rupees)				
	One month to three months	Three months to one year	One Year to five years	More than five year	One month to three months	Three months to one year	One year to five years	More than five years	
Financial assets									
Investments	-	-	-	-	114,861,720	-	-	-	114,861,720
Trade and other receivables	-	-	-	-	524,093	-	-	-	524,093
Long term deposit	-	-	-	-	-	-	-	75,000	75,000
Bank balances	-	6,241,262	-	-	5,328	-	-	-	6,246,590
	-	6,241,262	-	-	115,391,141	-	-	75,000	121,707,403
Effective interest rates	2.25% to 3%								
Financial liabilities									
Due to Investment Adviser	-	-	-	-	2,148,636	-	-	-	2,148,636
Trade and other payables	-	-	-	-	1,436,760	-	-	-	1,436,760
	-	-	-	-	3,585,396	-	-	-	3,585,396
On Balance Sheet Gap	-	6,241,262	-	-	111,805,745	-	-	75,000	118,122,007
Off Balance Items									
- Contingencies	-	-	-	-	-	-	-	-	-
- Commitments	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

18.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company believes that it is not exposed to major concentration of credit risk as the company's portfolio of marketable securities is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk and other receivables of the company are not material.

18.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The investment advisor manages the market risk by monitoring exposure on marketable securities by following the investment guidelines approved by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

18.4 Liquidity risk

Liquidity risk is the risk that the company may encounter difficulty in raising funds to meet its obligations and commitments. The investment advisor manages the liquidity risk by maintaining maturities of financial assets and liabilities and investing a major portion of company's assets in highly liquid financial assets.

18.5 Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company does not have any significant financial assets or financial liabilities which carry variable interest rates, hence is not subject to any cash flow risk.

18.6 Fair value of financial assets and financial liabilities

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

	2005	2004
19. NUMBER OF EMPLOYEES		
Number of employees at year end	Nil	Nil

20. AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 29, 2005 by the board of directors.

21. The Board of directors have proposed a final dividend for the year ended June 30, 2005, of Rs. 1/- per share (10% per share), amounting to Rs. 15,000,000/- at their meeting held on September 29, 2005, for approval of the members at the Annual General Meeting to be held on October 29, 2005. These financial statements do not reflect this dividend payable, as explained in note 4.1.

22. GENERAL

- Figures have been rounded off to the nearest rupee.
- Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 through SRO 589 (1) / 2004 dated July 05, 2004, previous years figures have been rearranged or reclassified, wherever necessary for the purpose of comparison.

PERFORMANCE TABLE

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net assets (Rupees)	142,611,413	118,516,776	97,374,821	85,688,903	87,662,772	92,445,566	83,897,790	77,767,270	105,410,446	104,183,868
Profit/(loss) after tax (Rupees)	24,094,637	21,141,955	49,185,918	(1,973,869)	(4,782,794)	16,047,776	6,130,521	(27,643,177)	1,226,578	(29,499,112)
Net assets value per share (Rupees)	9.51	7.91	6.49	5.71	5.84	6.16	5.59	5.18	7.03	6.95
Earnings/ (Loss) per share (Rupees)	1.61	1.41	3.28	(0.13)	(0.32)	1.07	0.41	(1.84)	0.08	(1.97)
Rate of dividend (%)	10%	Nil	25%	Nil	Nil	5%	Nil	Nil	Nil	Nil

**STATEMENT OF INCOME & EXPENDITURE IN RELATION
TO THE INVESTMENT COMPANY
For the Year Ended 30 June 2005**

	2005	2004
	Rupees	Rupees
REVENUE		
Investment advisory fee from FCMF	2,624,117	2,148,637
Mark-up on Investment	1,470,867	-
Dividend income	-	3,750,000
	4,094,984	5,898,637
 ADMINISTRATIVE EXPENSES	 5,744,742	 2,816,300
OPERATING PROFIT / (LOSS)	(1,649,759)	3,082,337
 OTHER INCOME	 150,279	 -
	(1,499,480)	3,082,337
Finance Cost	4,063	58,813
NET OPERATING PROFIT	(1,503,543)	3,023,524
TAXATION	20,475	349,195
PROFIT / (LOSS) AFTER TAXATION	(1,524,018)	2,674,330
Accumulated loss brought forward	535,779	(2,138,550)
	(988,239)	535,780
 Earnings / (Loss) per share- Basic	 (0.45)	 1.41

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2005**

INCORPORATION NUMBER: L-07616 OF 1994-95

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1792	1	-	100	172,075
224	101	-	500	82,825
118	501	-	1000	112,280
245	1001	-	5000	779,220
104	5001	-	10000	876,290
34	10001	-	15000	455,310
27	15001	-	20000	501,500
14	20001	-	25000	326,700
13	25001	-	30000	370,000
8	30001	-	35000	270,000
5	35001	-	40000	195,500
5	45001	-	50000	248,500
2	50001	-	55000	105,500
1	55001	-	60000	55,100
2	60001	-	65000	124,500
3	65001	-	70000	203,500
1	70001	-	75000	70,500
1	80001	-	85000	84,000
2	85001	-	90000	177,000
3	95001	-	100000	298,000
1	105001	-	110000	107,600
1	115001	-	120000	116,000
1	175001	-	180000	180,000
1	190001	-	195000	193,500
1	200001	-	205000	204,000
1	290001	-	295000	290,500
1	295001	-	300000	299,000
1	1495001	-	1500000	1,500,000
1	1920001	-	1925000	1,920,100
1	2235001	-	2240000	2,239,000
1	2440001	-	2445000	2,442,000
2615				15,000,000

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	3,500	0.023
Associated Companies, undertakings and related parties.	1,500,000	10.000
NIT and ICP	296,250	1.975
Banks, Development Financial Institutions, Non Banking financial Institutions	800	0.005
Modarabas and Mutual Funds	59,800	0.399
Share holders holding 10% or more	8,101,100	54.007
General Public		
a) Local	7,260,510	48.403
b) Foreign	6,601,100	44.007
Others		
- Joint Stock Companies	778,040	5.187

Note: Some of the shareholders are reflected in more than one category

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT 30 JUNE 2005**

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Investments Limited	1,500,000
NIT and ICP	
Investment Corporation of Pakistan	5,750
National Bank of Pakistan	290,500
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (Director)	500
Muhammad Faisal Potrik (CEO/Director) *	500
Muhammad Shoaib Yousaf (Director)	500
Sardar Ali Wattoo (Director)	500
Muhammad Naveed Tariq (Director)	500
Ahmed Bilal (Director)	500
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	500
Executives	-
Public Sector Companies and Corporations	778,040
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.	60,600
Shareholders holding 10% or more voting interest in the Company	
First Capital Investments Limited	1,500,000
Sulieman Ahmed Said Al-Hoqani	6,601,100

* Subsequent to the year end Securities and Exchange Commission of Pakistan has granted the approval on 21-07-2005 for the appointment of Mr. Muhammad Faisal Potrik as Chief Executive/Director of the Company in place of Mr. Muhammad Jafar Khan who has resigned from the Directorship of the Company w.e.f. 22-06-2005)

FORM OF PROXY

The Company Secretary
First Capital Mutual Fund Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No. _____
Shares Held: _____

I / We _____ of _____
(Name) (Address)

being the member (s) of **First Capital Mutual Fund Limited** hereby appoint Mr. / Mrs./

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

[who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 29 October 2005 at 12:30 p.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2005

(Witnesses)

1. _____

2. _____

**Affix Revenue Stamp
of Rupees Five**

Signature _____
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

PERFORMANCE TABLE

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net assets (Rupees)	142,611,413	118,516,776	97,374,821	85,688,903	87,662,772	92,445,566	83,897,790	77,767,270	105,410,446	104,183,868
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Earnings/ (Loss) per share (Rupees)	1.61	1.41	3.28	(0.13)	(0.32)	1.07	0.41	(1.84)	0.08	(1.97)
Rate of dividend (%)	10%	Nil	25%	Nil	Nil	5%	Nil	Nil	Nil	Nil