

First Capital Mutual Fund Limited



**QUARTERLY ACCOUNTS
(Un-Audited)**

31 MARCH 2006

First Capital Mutual Fund Limited





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	Salmaan Taseer Muhammad Naveed Tariq Ahmad Bilal
Company Secretary	Muhammad Musharaf Khan
Investment Committee	Muhammad Faisal Potrik Syed Kashan Kazmi Muhammad Asim
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, 111-000-322





DIRECTORS' REVIEW

The directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the quarterly accounts for the period ended March 31, 2006.

Performance Review:

Operating Results

The operating results of the nine months of FY06 are summarized as follows:

	March 31, 2006 Rs.	March 31, 2005 Rs.
Capital gain on sale of listed securities	33,056,277	26,860,955
Dividend Income	5,403,545	3,979,950
Unrealized gain due to change in fair value of listed securities	36,437,052	5,612,991
Operating Expenses	3,236,608	2,781,082
Profit After Taxation	71,460,437	33,622,895
Basic Earnings Per Share	4.76	2.24
Net Asset Value	13.27	10.14

We are pleased to inform that Net Asset Value per share as on March 31, 2006 has increased to PRs 13.27 per share, up 31% from PRs 10.14 on Mar 31, 2005. During this quarter, company has recorded Profit After Tax of PRs 30.9 million as compared to 29.1 million during the same period last year. The improved bottom line performance during the three months period is contributed by a decent 16% growth in dividend income & a modest 7% rise in capital gains (realized and unrealized). Comparing the nine months performance July-Mar-06 over the same period last year, PAT has increased by 113% from PRs 33.6 million to PRs 71.5 million. Capital Gains (realized and un-realized) surged by 114% while dividend income indicate a 36% growth.

With half yearly results FY06, the company had announced, 100% right shares at par value of PRs 10 per share. The Company is in the process of completing necessary corporate & regulatory formalities in respect of right issue. It is envisaged that these additional funds shall have a positive impact on business operations and financial performance of the Company in the growing market.

Based on 'Value Investing Strategy, company shall adapt its exposure while gradually realizing capital gains, where attractiveness appears vanishing. During nine months, KSE -100 exhibited extremely buoyant phase and surged by 54% setting record capitalization with extensive volatility. Thus your company outperformed the ever-buoyant index by 2% through prudent management maintaining delicate balance in investment selection and risk mitigation.



Performance Ranking

We are pleased to inform that your company has been assigned 'MFR 4-Star Ranking' by JCR-VIS Credit Rating Company on the basis of performance, assessed upto December 31, 2005. The ranking scale is the relative ranking of closed-end funds on the basis of risk-adjusted return (1=lowest and 5=highest). 4-Star ranking denotes good performance of the company vis-à-vis peers.

Market Outlook & Future Strategy

KSE-100 has broken many records by setting historical index levels and market capitalization as market fundamentals have improved significantly over the period. Stable political situation, high economic growth and improved risk parameters have attracted both local and foreign investors, re-enforcing market strength. The spectacular performance of the Corporate Sector has justified the valuations with the earnings growth momentum continuing. E&P, Cement, Autos, Textiles, Fertilizer & Banking sectors still offer huge potential. At the same time, continuation of the privatization process shall be important in strengthening the market momentum.

On the economic front, overwhelming response of Pakistan Sovereign Bonds in the Int'l market, rising FDI's and higher SCRA positions indicate foreign investors confidence in the country's prospects. Concerns over rising inflation, budget deficit and political tensions have a bearing on the future performance; however, we do not expect any serious impact on the overall economic growth. Our view remains positive for the overall economy and equity market in particular.

Acknowledgement

We are obliged to our shareholders for their support & confidence in the company and would like to thank the Securities and Exchange Commission of Pakistan (SECP) and the Stock Exchanges for their guidance and support.

For and on behalf of the Board

Lahore
April 27, 2006

Muhammad Faisal Portrik
Chief Executive


BALANCE SHEET
AS AT 31 MARCH 2006

		(Un-Audited) 31 March 2006	(Audited) 30 June 2005
	Note	Rupees	Rupees
ASSETS			
NON CURRENT ASSET			
Long Term Deposit		37,500	37,500
CURRENT ASSETS			
Investments held for trading	5	179,867,967	119,071,285
Trade and other receivables		5,423,327	15,088,499
Bank balances		22,289,201	25,609,014
TOTAL ASSETS		207,617,995	159,806,298
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company	6	2,564,705	2,624,117
Trade and other payables		5,299,699	14,119,232
Provision for taxation		681,741	451,536
TOTAL LIABILITIES		8,546,145	17,194,885
NET ASSETS		199,071,850	142,611,413
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
35,000,000 (June 2005: 35,000,000)			
ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		150,000,000	150,000,000
Accumulated profit/(loss)		49,071,850	(7,388,587)
		199,071,850	142,611,413
CONTINGENCIES AND COMMITMENTS	7	-	-

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR


PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006

Note	NINE MONTHS ENDED		THREE MONTHS ENDED	
	31 March 2006 Rupees	31 March 2005 Rupees	31 March 2006 Rupees	31 March 2005 Rupees
INVESTMENT INCOME				
Capital Gain on sale of listed securities	33,056,277	26,860,955	19,214,434	28,631,574
Dividend income	5,403,545	3,979,950	1,588,295	1,374,700
Other income	30,376	149,079	3,321	(39,261)
	38,490,198	30,989,984	20,806,050	29,967,013
Unrealized gain/(loss) due to change in fair value of listed Securities	36,437,052	5,612,991	11,427,194	(44,020)
	74,927,251	36,602,975	32,233,245	29,922,993
OPERATING EXPENSES				
Administrative expenses	671,904	877,180	323,100	39,366
Remuneration of investment adviser 6	2,564,705	1,903,902	980,572	739,434
	3,236,608	2,781,082	1,303,671	778,800
PROFIT BEFORE TAXATION	71,690,642	33,821,893	30,929,573	29,144,193
PROVISION FOR TAXATION	230,205	(198,998)	29,973	(68,735)
PROFIT AFTER TAXATION	71,460,437	33,622,895	30,899,600	29,075,458
EARNINGS PER SHARE- BASIC	4.76	2.24	2.06	1.94

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR


CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006

	NINE MONTHS ENDED	
	31 March 2006 Rupees	31 March 2005 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	71,690,642	33,821,893
Adjustment for:		
Dividend Income (Gain) due to change in fair value of listed securities	(5,403,545)	-
	(36,437,052)	(26,860,955)
	(41,840,597)	(26,860,955)
Operating profit before working capital changes	29,850,045	6,960,938
(Increase)/decrease in current assets		
Investment in listed securities	(24,359,630)	(5,187,243)
Trade and other receivable	10,478,260	(563,366)
	(13,881,370)	(5,750,609)
Increase/(decrease) in current liabilities		
Due to investment adviser	(59,412)	(137,301)
Trade and other payables	(9,306,764)	3,618,710
	(9,366,176)	3,481,409
Cash (used in)/ generated from operating activities	6,602,499	4,691,738
Dividend Received	4,604,093	-
Tax paid	(13,636)	(220,926)
Net cash generated from operating activities	11,192,956	4,470,811
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(14,512,769)	-
Net cash used in financing activities	(14,512,769)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,319,813)	4,470,811
Cash and Cash Equivalents at the beginning of the period	25,609,014	6,246,590
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,289,201	10,717,401

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR


**DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006**

	NINE MONTHS ENDED	
	31 March 2006	31 March 2005
	Rupees	Rupees
ACCUMULATED LOSS BROUGHT FORWARD AS OF JULY 01, 2005	(7,388,587)	(31,483,224)
PROFIT FOR THE NINE MONTHS	71,460,437	33,622,895
	64,071,851	2,139,671
DIVIDEND FOR YEAR 2005	15,000,000	-
UNAPPROPRIATED PROFIT CARRIED FORWARD	49,071,850	2,139,671

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

LAHORE **CHIEF EXECUTIVE** **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006

	Share Capital	Accumulated (loss)/Profit	Total
	Rupees	Rupees	Rupees
Balance as on June 30, 2004	150,000,000	(31,483,224)	(118,516,776)
Profit for the nine months 31 March 2005	-	33,622,895	33,622,895
Balance as on December 31, 2004	150,000,000	2,139,671	(152,139,671)
Balance as on June 30, 2005	150,000,000	(7,388,587)	142,611,413
Profit for the nine months 31 March 2006	-	71,460,437	71,460,437
Final Dividend at the rate of Rs. 1/= per share for the year 2005	-	(15,000,000)	(15,000,000)
Balance as on 31 March, 2006	150,000,000	49,071,850	199,071,850

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

LAHORE **CHIEF EXECUTIVE** **DIRECTOR**


**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006**

1. 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 in 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 (Established 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 that are listed or proposed to be listed on the stock exchange.

The company has a 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. These accounts are unaudited and are being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and are in accordance with the directives issued by Securities and Exchange Commission of Pakistan.
3. These accounts have been prepared in accordance with the requirements of International Accounting Standard-34 Interim Financial Reporting.
4. Accounting policies adopted for preparation of these quarterly accounts are the same as those applied in the preparation of the annual accounts of the company for the year ended 30 June 2005 except for the following:

Dividend is recognized as a liability in the period in which it is declared. Upto previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for the issue, were recorded as a liability.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated. Upto previous year, appropriations made after the balance sheet date but before the financial statements were authorized for issue, were recorded as reserves. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

However, above change in accounting policy has no financial effect on presented financial statements.

5. INVESTMENTS

NAME OF COMPANY	NUMBER OF SHARES/CERTIFICATES				BALANCE AS AT 31 MARCH 2006					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
These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.														
Investment Companies / Banks														
First Capital Equities Limited	215,000	-	-	-	215,000	2,997,100	12,685,000	12,685,000	-	1.51	6.37	0.90	2.73	7.05
Commercial Banks														
National Bank of Pakistan	91,960	103,040	-	-	195,000	7,431,926	9,223,462	15,537,500	6,314,039	3.73	7.80	0.01	6.77	8.64
Askari Commercial Bank Limited	-	20,000	-	-	20,000	-	-	-	-	-	-	-	-	-
The Bank of Punjab	-	150,000	24,400	-	174,400	-	-	-	-	-	-	-	-	-
MCB Bank Limited	-	163,000	-	-	163,000	3,247,966	7,419,911	7,771,400	351,489	1.63	3.90	0.04	2.96	4.32
Union Bank Limited	196,394	52,006	45,552	-	293,952	5,848,112	5,360,508	9,328,374	3,967,866	2.94	4.69	0.03	5.33	5.19
Bank Al Falah Limited	-	135,500	-	-	135,500	20,000	1,191,786	1,180,000	(11,786)	0.54	0.59	0.01	0.99	0.66
Faysal Bank Limited	-	45,000	-	-	45,000	-	-	-	-	-	-	-	-	-
Textile Composite														
Nishat Mills Limited	25,000	125,000	-	-	150,000	10,417,757	10,288,268	14,595,000	4,306,733	5.23	7.33	0.07	9.49	8.11
Nishat (Chunian) Limited	110,250	2,800	11,000	-	124,050	1,560,838	2,172,635	1,615,000	(557,635)	0.78	0.81	0.03	1.42	0.90
Kohinoor Textiles Mills Limited	-	10,000	-	-	10,000	-	-	-	-	-	-	-	-	-
Sural Cotton Mills Limited	60,000	-	-	-	60,000	-	-	-	-	-	-	-	-	-
Textile Spinning														
Gadoon Textile Mills Limited	30,000	-	-	-	30,000	-	-	-	-	-	-	-	-	-
Synthetic & Rayon														
Devan Saliman Fiber Limited	-	10,000	-	-	10,000	-	-	-	-	-	-	-	-	-
Jute														
Thal Limited	-	30,000	-	-	30,000	7,231,917	7,231,917	6,114,000	(1,117,917)	3.63	3.07	0.43	6.59	3.40
Cement														
Maple Leaf Cement Co. Limited	-	50,000	-	-	50,000	-	-	-	-	-	-	-	-	-
Devan Cement Limited (R)	-	-	41,500	-	41,500	-	-	-	-	-	-	-	-	-
Devan Cement Limited	41,512	-	-	-	41,512	228,316	788,728	1,014,968	226,240	0.11	0.51	0.05	0.21	0.56
Pioneer Cement Co. Limited	-	10,000	-	-	10,000	-	-	-	-	-	-	-	-	-
D.G.Khan Cement Company Limited	60,000	139,500	-	-	199,500	5,009,718	5,265,954	6,799,500	1,533,546	2.52	3.42	0.02	4.56	3.78
Lucky Cement Limited	-	263,000	-	-	263,000	2,840,096	14,583,497	16,517,250	1,933,754	1.43	8.30	0.05	2.59	9.18
Fauji Cement Company Limited	-	345,000	-	-	345,000	-	-	-	-	-	-	-	-	-
Refinery														
National Refinery Limited	3,500	3,500	-	-	7,000	-	-	-	-	-	-	-	-	-
Attock Refinery Limited	-	16,000	3,000	-	19,000	-	-	-	-	-	-	-	-	-
Power Generation and Distribution														
Hufo Power Company Limited	121,000	29,000	-	-	150,000	5,710,420	5,684,895	6,885,000	900,105	2.87	3.31	0.02	5.20	3.66
Kor Addu Power Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oil & Gas Marketing Companies														
Pakistan State Oil Company Limited	25,000	25,000	-	-	50,000	3,188,005	3,256,108	2,797,500	(458,608)	1.60	1.41	0.00	2.90	1.56
Shell Pakistan Limited	10,000	4,000	500	-	14,500	-	-	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	50,000	20,000	-	-	70,000	-	-	-	-	-	-	-	-	-

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First Capital Mutual Fund Limited



First Capital Mutual Fund Limited



Oil & Gas Exploration Companies	50,000	15,000	-	-	35,000	9,496,605	10,801,512	18,735,000	7,933,488	4,77	9,41	0,02	8,65	10,42
Pakistan Oil Fields Limited	75,000	217,500	-	-	192,500	10,997,769	11,701,260	15,760,000	4,058,740	5,52	7,92	0,00	10,01	8,76
Oil & Gas Development Company Limited	-	107,000	-	-	82,000	3,598,662	7,181,283	6,780,000	(401,283)	1,81	3,41	0,00	3,28	3,77
Pakistan Petroleum Limited	60,300	-	-	-	30,300	3,645,822	2,700,000	5,617,500	2,917,500	1,83	2,82	0,04	3,32	3,12
Indus Motors Limited	-	4,000	-	-	4,000	-	-	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport	-	5,000	-	-	5,000	-	-	-	-	-	-	-	-	-
Pakistan International Container Terminal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pakistan National Shipping Corp. Limited	-	20,000	-	-	20,000	2,338,146	2,338,146	1,824,000	(514,146)	1,17	0,92	0,02	2,13	1,01
Cable & Electrical Goods	-	30,000	-	-	30,000	1,923,600	1,923,600	2,017,500	93,900	0,97	1,01	0,05	1,75	1,12
Pak Elektron Limited	50,000	210,000	-	-	160,000	6,478,405	6,374,470	6,565,000	190,530	3,25	3,30	0,00	5,90	3,65
Technology & Communication	-	184,000	1,075	-	185,075	-	-	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Calimate Telops Telecom Limited	10,000	-	-	-	10,000	-	-	-	-	-	-	-	-	-
Worldcall Communications Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fertilizer	-	20,000	-	-	15,000	1,036,695	1,036,695	1,040,000	3,305	0,52	0,52	0,00	0,94	0,58
Engro Chemicals Limited	33,190	24,500	14,000	-	71,690	6,692,418	7,196,418	9,627,475	2,431,057	3,36	4,84	0,02	6,09	5,35
Fauji Fertilizer Company Limited	125,000	150,000	-	-	275,000	6,811,484	7,024,864	9,361,000	2,336,136	3,42	4,70	0,02	6,20	5,20
Fauji Fertilizer Bin Qasim Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmaceuticals	23,400	-	-	-	23,400	-	-	-	-	-	-	-	-	-
Glaxo SmithKline	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chemicals	-	35,000	-	-	35,000	-	-	-	-	-	-	-	-	-
ICI Pakistan Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paper & Board	3,525	-	-	-	3,525	-	-	-	-	-	-	-	-	-
Packages Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total						109,815,440	143,430,915	179,867,967	36,437,052					
30 June 2005						107,728,137	119,787,742	119,071,285	(716,457)					

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- 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.


**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006**

	<u>31 March 2006</u> Rupees	<u>30 June 2005</u> Rupees
6 DUE TO INVESTMENT ADVISER - AN ASSOCIATED COMPANY		
Remuneration @ 2% of annual average net assets	<u>2,564,705</u>	<u>2,624,117</u>

The remuneration of the investment Advisor First Capital Investments 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 Advisor is entitled to a remuneration @ 2% of the average annual net assets of the company.

7 CONTINGENCIES

There is no change in contingencies from the last annual audited financial statements for the year ended June 30, 2005.

8 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

	NINE MONTHS ENDED	
Transaction of Shares	<u>31 March 2006</u> Rupees	<u>31 March 2005</u> Rupees
Purchase of shares	-	38,887,600
Sale of shares	-	57,016,745
Commission paid	-	97,765
Advisory Fee	<u>2,564,705</u>	<u>1,903,902</u>

9 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 April 2006, by the Board of Directors of the company.

10 GENERAL

Figures in these accounts are rounded off to the nearest of rupee.

LAHORE

CHIEF EXECUTIVE

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DIRECTOR


**STATEMENT OF INCOME & EXPENDITURE (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2006**

	<u>July to March 2006</u> Rupees	<u>July to March 2005</u> Rupees
REVENUE		
Investment advisory fee from FCMF	2,564,705	1,903,902
Investment advisory fee from SHNI	<u>1,048,598</u>	<u>-</u>
	<u>3,613,303</u>	<u>1,903,902</u>
ADMINISTRATIVE EXPENSES	<u>4,548,509</u>	<u>4,216,053</u>
OPERATING PROFIT / (LOSS)	<u>(935,206)</u>	<u>(2,312,151)</u>
OTHER INCOME	<u>3,414,088</u>	<u>1,131,295</u>
	<u>2,478,883</u>	<u>(1,180,856)</u>
Financial Expenses	<u>2,783</u>	<u>2,989</u>
NET OPERATING PROFIT / (LOSS)	<u>2,476,100</u>	<u>(1,183,845)</u>
TAXATION	<u>(150,000)</u>	<u>(610,751)</u>
PROFIT/(LOSS) AFTER TAXATION	<u>2,326,100</u>	<u>(573,094)</u>
Unappropriated profit/(loss) brought forward	<u>(988,238)</u>	<u>535,780</u>
Unappropriated profit/(loss) carried forward	<u>1,337,862</u>	<u>(37,314)</u>

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR