



---

## MISSION

---

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.

---

## VISION

---

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.



## CONTENTS

|   |           |
|---|-----------|
| <b>Company Information</b>  | <b>05</b> |
| <b>Notice of Annual General Meeting</b>   | <b>07</b> |
| <b>Financial Highlights - Last Ten Years</b>  | <b>09</b> |
| <b>Directors' Report</b>  | <b>10</b> |
| <b>Fund Manager Report</b>  | <b>14</b> |
| <b>Statement of Compliance with the Code of Corporate Governance</b>  | <b>18</b> |
| <b>Auditors' Review Report on Statement of Compliance<br/>with Best practices of Code of Corporate Governance</b> | <b>20</b> |
| <b>Auditors' Report to the Members</b>  | <b>21</b> |
| <b>Statement of Assets and Liabilities</b>  | <b>22</b> |
| <b>Income Statement</b>   | <b>23</b> |
| <b>Cash Flow Statement</b>  | <b>24</b> |
| <b>Statement of Changes in Equity</b>   | <b>25</b> |
| <b>Statement of Movement in Reserves - Per Share</b>  | <b>26</b> |
| <b>Distribution Statement</b>   | <b>27</b> |
| <b>Notes to the Financial Statements</b>  | <b>28</b> |
| <b>Performance Table</b>  | <b>45</b> |
| <b>Profit &amp; Loss Account in Relation to the Investment Adviser</b>  | <b>46</b> |
| <b>Pattern of Shareholding</b>  | <b>47</b> |
| <b>Form of Proxy</b>  | <b>51</b> |



## COMPANY INFORMATION

|                                      |  |
|--------------------------------------|--|
| Board of Directors                   | Salmaan Taseer (Chairman)<br>Syed Kashan Kazmi (CEO)<br>Omer Subhan Salamat<br>Muhammad Naveed Tariq<br>Mahmood Ali Athar<br>Suhail Ahmad *<br>Ahmad Bilal |
| Chief Financial Officer              | Usman Sheikh   |
| Audit Committee                      | Ahmed Bilal (Chairman)<br>Muhammad Naveed Tariq<br>Suhail Ahmad  |
| Company Secretary                    | Muhammad Faisal Malik  |
| Investment Committee                 | Syed Kashan Kazmi<br>Omer Subhan Salamat<br>Pardeep Kumar  |
| Auditors                             | KPMG Taseer Hadi & Co.<br>Chartered Accountants  |
| Legal Adviser                        | Mazhar Law Associates<br>Advocates & Solicitors  |
| Custodian                            | Central Depository Company of Pakistan Limited ("CDC")   |
| Investment Advisers                  | First Capital Investments Limited<br>103-C/II, Gulberg-III, Lahore   |
| Registered Office / Head Office      | 103-C/II, Gulberg-III<br>Lahore, Pakistan<br>Tel: +92 42 35757591-4<br>Fax: +92 42 35757590, 35877920  |
| Registrar and Shares Transfer Office | THK Associates (Pvt.) Limited<br>Ground Floor, State Life Building No.3,<br>Dr. Ziauddin Ahmed Road, Karachi<br>Tel: + 92 21 111-000-322                   |

\* Mr. Suhail Ahmad appointed as director by the board of the fund subject to approval of SECP.



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 15<sup>th</sup> Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited ("the Company") will be held on Saturday, 31 October 2009 at 11:00 a.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 Annual General Meeting held on 31 October 2008;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2009 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2010 and to fix their remuneration;

By order of the Board

Lahore  
09 October 2009

Muhammad Faisal Malik  
Company Secretary

### **Notes:**

- 1) The Members Register will remain closed from 24 October 2009 to 31 October 2009 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2009 will be treated in time.
- 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 - LAST TEN YEARS

|   | Rupees in thousands |          |         |         |         |         |        |         |         |        |
|---|---------------------|----------|---------|---------|---------|---------|--------|---------|---------|--------|
|   | 2009                | 2008     | 2007    | 2006    | 2005    | 2004    | 2003   | 2002    | 2001    | 2000   |
| <b>Income Statement</b>                     |                     |          |         |         |         |         |        |         |         |        |
| Capital gain/(loss)                         | (98,205)            | 23,516   | 52,949  | 35,997  | 25,734  | 9,674   | 34,472 | 2,939   | (4,964) | 15,135 |
| Dividend income                             | 13,090              | 13,650   | 10,738  | 6,557   | 4,749   | 4,699   | 7,596  | 7,163   | 2,328   | 4,830  |
| Unrealized gain/(loss) on listed securities | (43,001)            | (71,012) | 58,493  | 13,476  | (0,566) | 11,925  | 11,241 | (8,189) | (273)   | 288    |
| Operating expenses                          | 7,070               | 10,847   | 11,183  | 7,196   | 6,018   | 5,019   | 4,166  | 3,564   | 2,423   | 4,006  |
| Net gain/(loss) before taxation             | (133,821)           | (41,590) | 114,400 | 48,872  | 24,094  | 21,377  | 49,186 | (1,544) | (4,614) | 16,230 |
| Taxation                                    | 478                 | 1,086    | -       | 603     | -       | 234     | -      | 430     | 169     | 182    |
| Net gain/(loss) after taxation              | (134,299)           | (42,676) | 114,400 | 48,269  | 24,094  | 21,142  | 49,186 | (1,974) | (4,783) | 16,048 |
| Earning per share                           | (4.48)              | (1.42)   | 3.95    | 3.22    | 1.61    | 1.41    | 3.28   | (0.13)  | 0.32    | 1.07   |
| <b>Balance Sheet</b>                        |                     |          |         |         |         |         |        |         |         |        |
| Net assets                                  | 203,306             | 337,605  | 380,281 | 176,043 | 142,611 | 118,517 | 97,375 | 85,689  | 87,663  | 92,446 |
| Net assets per share (Rupees)               | 6.78                | 11.25    | 12.68   | 11.74   | 9.51    | 7.91    | 6.94   | 5.71    | 5.85    | 6.16   |
| <b>Payouts</b>                              |                     |          |         |         |         |         |        |         |         |        |
| Dividend distribution (%)                   | Nil                 | Nil      | 10%     | 10%     | 10%     | Nil     | 25%    | Nil     | Nil     | 5%     |
| <b>Stock Exchange</b>                       |                     |          |         |         |         |         |        |         |         |        |
| KSE 100 Index                               | 7162                | 12,289   | 13,772  | 9,989   | 7,450   | 5,279   | 3,402  | 1,770   | 1,366   | 1,520  |

## DIRECTORS' REPORT

The Board of Directors of First Capital Mutual Fund Limited ("FCMF" or "the Fund") is pleased to present the Annual Report 2009 together with the audited financial statements for the year ended June 30, 2009.

### Fund's Performance

During the FY09, your fund has posted the loss of Rs. 134.30 mn which translates into an EPS of Rs. (-4.48), showed the relative trend to its peers because of battering performance at almost every sector of the country. The summary of accounts is as follows:

### Financial Highlights FY 2008

|  | 2009<br>Rupees | 2008<br>Rupees |
|--|----------------|----------------|
| Net (loss) / gain on listed securities | (98,205,065)   | 23,515,632     |
| Dividend income                        | 13,089,542     | 13,650,208     |
| Other income                           | 1,364,905      | 3,102,845      |
| Unrealized loss on listed securities   | (43,000,808)   | (71,011,929)   |
| Operating expenses                     | 7,069,729      | 10,846,641     |
| Net (loss)/profit                      | (134,298,872)  | (42,675,881)   |
| Net Assets                             | 203,305,781    | 337,604,653    |
| NAV per share                          | 6.78           | 11.25          |
| Earnings per share Basic               | (4.48)         | (1.42)         |
| Dividend                               | NIL            | NIL            |

The Net Asset Value per share of your Fund as on June 30, 2009 stands at Rs. 6.78 representing decline of 39.73% over the NAV of the last year (adjusted for dividends and rights shares), showing the out performance of 199 basis against Benchmark KSE 100 which posted the negative return of 41.72% in FY09. The performance is mainly attributed to the prudent portfolio strategy moved in tandem with the market behavior.

The net gain on listed securities has turned in to the loss of Rs.98.205 compared to the gain of 23.515 in the same period due to the immense decline in the index & the management's decision to sell the scrips of those sector which affected largely amid the global economic recession & worsened economic environment of the country. The KSE-100 has showed steep decline after the removing of the floor on Dec 15, 2008, wherein we got the exit from those sectors which expected to perform poorly & got the entry in dividend yield scrips. This strategy has increased the net realized loss in short run, but it performed well in the long run. Corollary, the unrealized loss on listed securities valued less comparable to the last year. Dividend income was flat which showed the strong resistant of portfolio to any adversary of the market.

This year can be remarked with the subdued performance of KSE-100 index, the second lowest followed by 44% decline posted in FY98. The index started with the 12,289.03, touched the lowest range of 4815.34 during the year & closed at 7,162.18 levels as on June 30, 2009. This was mainly due to the political wrangling, dampening economic variables, and permeation of the global financial meltdown. The index reacted in tandem with the fundamentals of the country which almost pushed it in the zone of the systematic default; however it managed to get out of the crisis with the active participation of almost all the stakeholders.

### Market View

A detailed market view is presented in the enclosed Fund Manager Report.

**Performance Rating**

Your Fund has been assigned a MFR of 1- Star ranking (normal) and 3- Star ranking (long term) for the year ended June 30, 2009 by Pakistan Credit Rating Agency Limited (PACRA) in the category of closed end equity funds.

**Payouts**

Since sufficient reserves are not available to the fund, therefore no payout was declared by the Board of Directors during FY09.

**Earnings per Share**

Fund's earning per share has decreased from Rs. (-1.42) in FY08 to Rs. (-4.48) in FY09.

**Changes in the Board of Directors**

During the year Mr. Omer Subhan Salamat has been appointed as Director in the place of Khawaja Khalil Shah. Syed Kashan Kazmi appointed as Chief Executive/Director in place of Mr. Kamran Hafeez and Mr. Suhail Ahmed has been appointed as director in place of Mr. Muhammad Musharraf Khan (approval of Securities & Exchange Commission of Pakistan for appointment of Mr. Suhail Ahmed has been applied).

**Trading of Directors**

During the year ended June 30, 2009 no trading in the Fund's share was carried out by any of the directors, CEO, CFO, Company Secretary and their spouses including minor children.

**Board Meetings**

Five meetings of the Board of directors were held during the year. Attendance by each director is as follows;

| <b>Directors</b>                       | <b>Meetings Attended</b> |
|--|--------------------------|
| Mr. Salman Taseer (Chairman)           | 4                        |
| Syed Kashan Kazmi CEO                  | -                        |
| Mr. Kamran Hafeez CEO (resigned)       | 4                        |
| Mr. Khawaja Khalil Shah (resigned)     | -                        |
| Mr. Muhammad Naveed Tariq              | 5                        |
| Mr. Mahmood Ali Athar                  | -                        |
| Mr. Muhammad Musharraf Khan (resigned) | 4                        |
| Mr. Ahmad Bilal                        | 5                        |
| Mr. Omer Subhan Salamat                | 3                        |
| Mr. Suhail Ahmed                       | -                        |

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

### **Audit Committee**

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of the following directors:

|                           |          |
|---------------------------|----------|
| Mr. Ahmad Bilal           | Chairman |
| Mr. Muhammad Naveed Tariq | Member   |
| Mr. Suhail Ahmed          | Member   |

### **Investment Committee**

Your fund has an investment committee comprises of truly qualified & professional people who always make a decision by analyzing the capital market & economic conditions in depth.

Mr. Syed Kashan Kazmi  
Mr. Omer Subhan Salamat  
Mr. Pardeep Kumar, CFA

### **Pattern of Shareholding**

Pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984, and Listing regulations is enclosed.

### **Auditors**

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2010.

### **Good Governance and Best Business Practices**

Practicing Governance means bringing and ensuring that we have a comprehensive set of ethical principles plus a team that is committed to ensure that all our business activities are conducted according to those principles.

The Board of Directors of the Fund is responsible to its shareholders for managing the business of the Fund in strict compliance with the regulatory requirements and sound internal controls. In other words we have to live up to high standards that are independently verifiable. It acknowledges the responsibility for the sound internal controls and is committed to upholding the highest standards of Code of Corporate Governance.

### **Related Party Transactions**

The Fund has fully complied with the requirements on Related Party Transactions to the extent as contained in the listing regulations of stock exchanges.

### **Statement of Compliance in accordance with the Code of Corporate Governance**

The Fund for the year ended 30 June 2009 has duly complied with the provisions of the relevant code for good governance. The Board of Directors has reviewed the Codes and hereby confirms that:

- 1) The financial statements, prepared by the management, present fairly, its state of affairs, the results of its operations, cash flows, changes in equity, statement of movement in reserves and distribution statement of the Fund.
- 2) Proper Books of accounts of the Fund have been maintained.

- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Fund's ability to continue as a going concern.
- 7) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8) The key financial data of last ten years is attached to this report.
- 9) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the accounts.
- 10) The Fund has followed the best practices of corporate governance, as detailed in Listing Regulations of Karachi Stock Exchange wherever possible, and is in the process of complying with all the remaining regulations.

#### **Acknowledgment**

The Board would like to take this opportunity to express its admiration to the employees of the Company for their commitment, hard work and co-operation throughout the year. The Board would also like to thank and appreciate all the shareholders for their continued support. The board also wishes to place on record its appreciation for the guidance and support extended by the Securities and Exchange Commission of Pakistan as well as Karachi Stock Exchange (Guarantee) Limited.

**For and on behalf of the Board**

Lahore:  
**September 19, 2009**

**Syed Kashan Kazmi**  
Chief Executive Officer

## FUND MANAGER REPORT FOR THE YEAR ENDED JUNE 30, 2009

### Investment Objective

FCMF will seek to augment the wealth of investors through investments with strong fundamentals, geared towards securing maximum returns while simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them.

### Investment Policy

First Capital Mutual Fund (FCMF) will invest in listed securities or securities proposed to be listed i.e. shares, fixed income securities, Term Finance Certificates and government securities. The proportion of investment in stocks of different companies and across different sectors will be based upon their expected return and inherent risks while proportion of investment in stocks or fixed income securities would be according to the guidelines of Investment Committee/Investment Advisor within the limits of applicable laws.

FCMF shall not invest in any security more than ten percent (10%) of the total Net Asset of FCMF or the issued capital of such company. FCMF shall adhere to the guidelines set forth in NBFC Rules & Regulations, 2008 (as amended from time to time) in relation to investment policy.

### Equity Market Review

During the FY09, the KSE 100 index fell from 12,289.03 at June 30, 2008 to 7,162.18 on June 30, 2009, posted a negative return of 41.72%. It is the second lowest return of the index, following the 44% decline posted in FY98. Undoubtedly, the performance is the corollary of the plagued indicators such as worsening economic indicators, political instability, internal security situation etc which were in the infancy at the start of the year, have soared unexpectedly which compelled the regulators to take the harsh steps; resulting index depicted a picture of lost heritage.

In the first half of the financial year, Almost all the world economies have experienced a worst crisis since great depression 1930, wherein they observed the fall of the world giant financial institutions, extreme volatility in the commodity prices (especially in the oil), historic bailout fiscal stimulus packages by the developed economies, and IMF bailout packages to rescue small ailing economies. Pakistan was no exception in this regard; even the mentioned upheavals showed the path of systematic default to our economy.

Since the start of the year, Regulators were expecting the ambience of the market for which they played the active role to protect the capital market from the jolts of indigenous & exogenous factors. As expected, the liquidity crunch, heavy selling, margin out exposure of the brokers & possibility of large number of broker default had resulted in the imposing of the floor at the level of 9,144.93 by the management of KSE on August 27, 2008. Initially, though it was for a very short period, but prolonged for the longest period in the history of exchange due to exacerbate situation in the market. The aftermath effects of the decision cost it in the form of dry volumes, loosening the investor confidence, exclusion of KSE 100 from MSCI emerging market index, expected heavy selling by the foreigners once it is opened, and the possibility of systematic default of exchange. This contagion also spread to the mutual fund industry with the placement of freeze on issuance, pricing and redemption of equity funds: the improbable valuation of debt securities in the income funds.

However the regulators played their pivotal role to defend the market which includes the twist in the circuit breaker and margin financing, execution of the support funds to overcome the liquidity positions in the market and consistent negotiations with the financier & financee for the settlement of the CFS MK 2 outstanding issues.

The steep decline in the foreign reserves and currency value, almost default rating of the country by S&P and moody coupled with yawning twin deficits & high inflation led the economy to the technical default which put the government in the stalemate direction. The central bank continued tight monetary stance due to stubborn core inflation and worsening

economic indicators. No option left other than approaching the IMF for bailing out its economic turmoil. The IMF approved a 23-month stand by agreement with GOP in the month of November 08 for the financial assistance of USD 7.6bn; so far the government has received two tranches including an initial tranche of USD 3.1bn. All stakeholders welcomed the IMF, though dreadful in some sense, but helped the country to avert the economic crisis. At last, the floor removed on December 15, 2008 which expectedly had been the cause of the strong selling pressure in the market that raised the heightened issue of CFS MK2 settlement and brokers default due to non payment of the margin, albeit solved amicably with the active participation of the all stakeholders. The index touched its lowest level of 4,815.34 during the year.

The 2<sup>nd</sup> half of the year marked with the earlier than expected recovery in the global economies amid at the fall out of the commodity prices, post results of the heavy fiscal stimulus packages, which led the global indexes move towards the upward direction. For Pakistan, the New Year brought the hope of the fading the looming clouds of the market amidst improving macro economic environment especially easing out of inflation, came out from the systematic default and expected fiscal discipline by the government due to the IMF's condition. The situation more pleased as all the regulators including SBP issued a number of circulars regarding the accounting and valuation treatment to support the major sectors in depicting their fairly bottom lines figures. The market gained momentum after the restoration of deposed judges, the political reconciliation between two major parties, the reduction of discount rate by 100 bps and the inclusion of the KSE 100 index in the MSCI frontier index. The pledge of USD 5.5 bn from Friends of Pakistan Forum (FODP), expected US \$1.5 bn yearly assistance and the help of international lending institutions in different projects depicted a positive picture of the country in the medium & long term. The market had been tested around the level of 7000 for confirming the resistance level.

Despite above, the full fledged operation launched against the militants in the northern areas, budget time & lack of leverage product grasped the market in the lukewarm activity. The market closed at the end of FY09 at 7162.18 with the average volume of 105 mn.

### ***Portfolio Performance***

During the year, your fund has posted a negative return of -39.73% against -41.72% return of our benchmark KSE 100 index, which showed the out performance of 1.99% (on adjusted basis). The portfolio was comprised of blue chip & valued side scrips based on the research methodology. We remained over weight in the market across the year; the market was frozen almost for half the year which didn't give the opportunity performs well albeit protected the portfolio prudently from the adversities of the market. The overweight strategy in fundamentals sectors instigated us with handsome return in the second half of the year which supported us not only to overcome the underperformance of the first half but also helped us to out perform the index in FY 09. The market behaved erratically almost all the year wherein we observed the bout of activities either immense lukewarm or buying spree.

These are the following excerpts of the portfolio strategies adopted during the year:

Your fund was invested in the research supported scrips

We adopted the buy & hold strategy for valued scrips & exit strategy for the growth scrips when reached at the targeted value.

We remained invested in top weighted sectors of index like Banking, E& P, Fertilizer, Cement, Textile, Refineries, and Communication along with the valued small cap stocks.

We didn't reduce our exposure after removing of the floor in the market rather took a bet on the upward direction which in fact paid us.

We adopted exit strategy in the small cap scrips at the start of the CY 09 and again entered timely for capitalizing the prospective opportunities.

The banking sector performed gloomy due to soaring NPL, high interest rate environment and dampening economic variables. We got exit immediately after the normalcy of the market. We were invested averagely in



the range of 10% to 15%.

The E&P sector was the stellar performer of the year; its value declined steeply in the first half but increased as sharply due to the recovery of oil prices, strong exposure to oil & gas fields, depreciation of rupee, & some major oil & gas discoveries in the field. We were exposed more than 20% to E&P across the year.

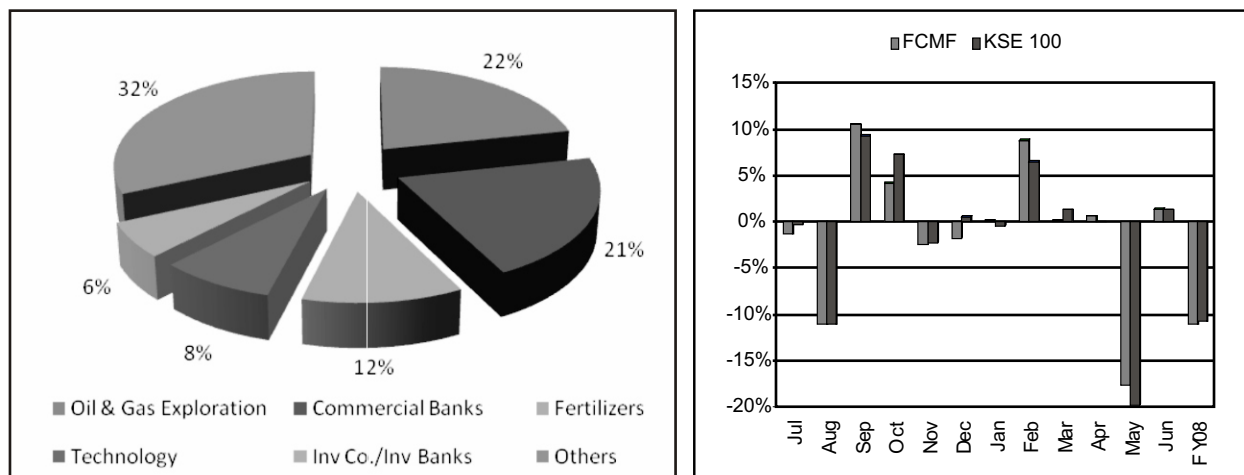
The part solution of circular debt to power companies & the worst power crisis in the country changed the fundamentals of the sector. It came in the spot light, wherein we also decided to get fair exposure of this sector.

The first half of the year didn't bode well for Oil & Marketing Companies due to the huge inventory losses & high interest cost. The later half came with recovered oil prices & the part solution of circular debt which assuage the difficulties of the OMC companies. We were over weight in the sector.

Agriculture sector is the priority of the government for getting the economy back on track. Strong demand of Urea and DAP have attracted the sector outlook. We were highly exposed to this sector during the year.

We were better exposed to the cement sector due to steep decline in the cost of production coupled with stagnant prices & robust demand outlook

Technology & communication were other areas of our exposure due to their strong outlook.



## Future Outlook

FY 09 has passed, observed with economic stigma, political wrangling, threatened internal security, and outflow of foreign portfolio investments which rattled the structure of capital markets. The market froze for almost half of the year reached at the brink of systematic default & recovered in the second half at some extent on the expectations of improved economic & political scenario. The Budget FY 09-10 has presented: the strategy paper of the government has chalked out with incorporating the conditions and structural reforms of IMF & trying to balance them with populous demands. The key measures of budget are highly dependable on the realization of foreign assistance & execution strategy.

Now the question arises what next to happen in the market? The question lies in the midst of strong recovery in the global indices, though we have a different fundamentals in reality but some what correlation exist with them. The dynamics which were responsible for the decimating the economic picture & political wrangling, starts to show the sign of recovery & reconciliation.

There is a gradual improvement in economic indicators; Head line & Core line inflation is easing constantly on the back of high year base and low commodity prices. Sufficient build up of foreign exchange reserves due to the IMF loan, international assistance for the war on terror & decline in import has supported the country to improve its sovereign rating. Furthermore, the strong commitment from the various forums of international community depicts the more



optimistic outlook for country. The stabilized currency, manageable twin deficits, committed FDI investment in different sectors & recent inflow of portfolio investment in the equity markets are the good prognosis, which may spur the growth in the medium & long run. Central Bank & federal government have been playing proactive role in the balancing between growth & price, wherein the expansionary fiscal policy aligns with the gradually loosening monetary policy.

The judiciary has been restored and reconciliations exists between two major political parties though some what minor differences still exists but no major threat to the democratic system. Political stability is the essence of economic growth.

The expected resolution of circular debt & the early generation of electricity from rental power plants may assuage the difficulties of the worst power crisis, the major obstacle in the growth of the economy.

The post results of full scale military operation in northern areas against the militants are encouraging for the investor community.

The management of KSE has been exerting all of it efforts to launch of the leverage product for the appetite of the investors and to adopt the best international practices in the index composition and its operation.

All the captioned developments are making the path for the consolidation of the economy, focusing on the balance of growth & price, which will make the equity asset class for investment

However, the risks to our thesis are the delay in international commitment for the financial assistance, surge in the commodity prices especially oil & the lack of good governance at the execution level.

We reckon despite the positive developments & optimistic outlook of the economy, your fund will adopt the cautious approach in investing. We will be fairly exposed to the market, having the right mix of low beta and high beat scrips. E&P, OMC, Power & Fertilizer sectors will have a priority in investing unless any negative surprise occurs. Our Fund Management & Research Department will exert all its efforts to maximize the shareholders wealth & to achieve the objective of fund.

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2009**

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 2 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, a DFI or an NBFI. No one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filled by the Director 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 approved appointment of Company Secretary, Chief Financial Officer and Internal Auditor 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.
- 21) The Fund has fully complied with the requirements on Related Party Transactions to the extent as contained in the listing regulations of stock exchanges.

**For and on behalf of the Board**

Lahore:  
**September 19, 2009**

**Syed Kashan Kazmi**  
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** (“the Fund”) to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

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 the 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.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 the year ended 30 June 2009.

**LAHORE**  
**19 September 2009**

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
**(Kamran Iqbal Yousafi)**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **First Capital Mutual Fund Limited ("the Fund")**, which comprise the statement of assets and liabilities as at 30 June 2009, the income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves - per share 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 Asset Management Company (First Capital Investments Limited) to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Fund as required by the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
  - i) the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves - per share together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Fund's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Fund;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves - per share together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2009 and of the transactions of the Fund for the year then ended; and
- d) in our opinion no Zakat was deductible by the Fund under Section 7 of the Zakat and Ushr Ordinance, 1980.

LAHORE  
19 September 2009

KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)

## STATEMENT OF ASSETS AND LIABILITIES

As At 30 June 2009

|   | NOTE | 2009<br>Rupees              | 2008<br>Rupees            |
|---|------|-----------------------------|---------------------------|
| <b>ASSETS</b>   |      |                             |                           |
| <b>Non current asset</b>  |      |                             |                           |
| Long term deposit   |      | 137,500                     | 137,500                   |
| <b>Current assets</b>   |      |                             |                           |
| Investments at fair value through profit or loss                                      | 5    | 195,889,882                 | 336,536,858               |
| Dividend and other receivables  | 6    | 6,276,443                   | 3,142,669                 |
| Bank balances   | 7    | 7,954,436                   | 8,752,079                 |
| <b>Total assets</b>   |      | <b>210,258,261</b>          | <b>348,569,106</b>        |
| <b>LIABILITIES</b>  |      |                             |                           |
| <b>Current liabilities</b>  |      |                             |                           |
| Payable to Asset Management Company -<br>an associated company                        | 8    | 4,144,100                   | 7,436,075                 |
| Trade and other payables  | 9    | 2,240,821                   | 2,442,382                 |
| Provision for taxation  |      | 567,559                     | 1,085,996                 |
| <b>Total liabilities</b>  |      | <b>6,952,480</b>            | <b>10,964,453</b>         |
| <b>Net assets</b>   |      | <b>203,305,781</b>          | <b>337,604,653</b>        |
| <b>Share capital and reserves</b>   |      |                             |                           |
| Authorized capital<br>35,000,000 (2008: 35,000,000) ordinary shares<br>of Rs. 10 each |      | 350,000,000                 | 350,000,000               |
| Issued, subscribed and paid up capital<br>(Accumulated loss) / undistributed income   | 10   | 300,000,000<br>(96,694,219) | 300,000,000<br>37,604,653 |
| <b>Contingencies and commitments</b>  | 11   | <b>203,305,781</b>          | <b>337,604,653</b>        |
| Net assets value per share at 30 June   |      | <b>6.78</b>                 | <b>11.25</b>              |

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## INCOME STATEMENT

*For The Year Ended 30 June 2009*

|   | NOTE | 2009<br>Rupees | 2008<br>Rupees |
|---|------|----------------|----------------|
| <b>Income</b>   |      |                |                |
| Capital (loss) / gain on sale of investments - net  |      | (98,205,065)   | 23,515,632     |
| Dividend income   |      | 13,089,542     | 13,650,208     |
| Profit on bank deposits   |      | 1,364,905      | 3,102,845      |
|   |      | (83,750,618)   | 40,268,685     |
| Unrealized diminution in value of<br>investments at fair value through profit or loss - net | 5    | (43,000,808)   | (71,011,929)   |
|   |      | (126,751,426)  | (30,743,244)   |
| <b>Operating expenses</b>   |      |                |                |
| Remuneration to Asset Management Company  | 8    | 4,144,100      | 7,436,075      |
| Securities transaction cost   |      | 1,309,303      | 1,794,724      |
| Fees and subscription   | 12   | 479,345        | 609,304        |
| Custodian fee   |      | 364,074        | 405,560        |
| Printing charges  |      | 358,350        | 227,186        |
| Auditors' remuneration  | 13   | 300,000        | 295,000        |
| Legal and professional charges  |      | 98,000         | 75,000         |
| Bank charges  |      | 16,557         | 3,792          |
|   |      | 7,069,729      | 10,846,641     |
| <b>Net loss before taxation</b>   |      | (133,821,155)  | (41,589,885)   |
| <b>Provision for taxation</b>   |      |                |                |
| Taxation - current year   | 14   | 477,717        | 1,085,996      |
| <b>Net loss for the year</b>  |      | (134,298,872)  | (42,675,881)   |
| <b>Loss per share - basic and diluted</b>   | 15   | (4.48)         | (1.42)         |

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## CASH FLOW STATEMENT

For The Year Ended 30 June 2009

|   | NOTE | 2009<br>Rupees | 2008<br>Rupees |
|---|------|----------------|----------------|
| <b>Cash flow from operating activities</b>  |      |                |                |
| Net loss before taxation  |      | (133,821,155)  | (41,589,885)   |
| Adjustments for:  |      |                |                |
| Dividend income   |      | (13,089,542)   | (13,650,208)   |
| Remuneration to Asset Management Company  |      | 4,144,100      | 7,436,075      |
| Unrealized diminution in value of<br>investments at fair value through profit or loss - net |      | 43,000,808     | 71,011,929     |
|   |      | 34,055,366     | 64,797,796     |
| Operating (loss) / income before working capital changes                                    |      | (99,765,789)   | 23,207,911     |
| Decrease / (increase) in current assets   |      |                |                |
| Investments in listed securities  |      | 97,646,168     | (55,108,460)   |
| Other receivables   |      | (4,935,423)    | 14,793,916     |
|   |      | 92,710,745     | (40,314,544)   |
| Decrease in current liabilities   |      |                |                |
| Trade and other payables  |      | (201,221)      | (657,321)      |
| <b>Cash used in operations</b>  |      | (7,256,265)    | (17,763,954)   |
| Remuneration paid to Asset Management Company   |      | (7,436,075)    | (6,772,792)    |
| Taxes paid  |      | (189,735)      | (554,539)      |
| Dividend received   |      | 14,084,772     | 13,048,582     |
| <b>Net cash used in operating activities</b>  |      | (797,303)      | (12,042,703)   |
| <b>Cash flow from investing activities</b>  |      |                |                |
| Security deposit  |      | -              | (100,000)      |
| <b>Net cash used in investing activities</b>  |      | -              | (100,000)      |
| <b>Cash flow from financing activities</b>  |      |                |                |
| Dividend paid   |      | (340)          | (29,918,003)   |
| <b>Net cash used in financing activities</b>  |      | (340)          | (29,918,003)   |
| <b>Net decrease in cash and cash equivalents</b>  |      | (797,643)      | (42,060,706)   |
| <b>Cash and cash equivalents at the beginning of the year</b>                               |      | 8,752,079      | 50,812,785     |
| <b>Cash and cash equivalents at the end of the year</b>                                     | 7    | 7,954,436      | 8,752,079      |

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



## STATEMENT OF CHANGES IN EQUITY

*For The Year Ended 30 June 2009*

|  | Issued, subscribed<br>and paid up<br>capital | Undistributed<br>income | Total         |
|--|--|-------------------------|---------------|
|  | Rupees                                       |                         |               |
| Balance as at 01 July 2007               | 300,000,000                                  | 80,280,534              | 380,280,534   |
| Net loss for the year ended 30 June 2008 | -  | (42,675,881)            | (42,675,881)  |
| Balance as at 30 June 2008               | 300,000,000                                  | 37,604,653              | 337,604,653   |
| Net loss for the year ended 30 June 2009 | -  | (134,298,872)           | (134,298,872) |
| Balance as at 30 June 2009               | 300,000,000                                  | (96,694,219)            | 203,305,781   |

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## STATEMENT OF MOVEMENT IN RESERVES - PER SHARE

*For The Year Ended 30 June 2009*

|   | 2009<br>Rupees | 2008<br>Rupees |
|---|----------------|----------------|
| <b>Net assets per share as at 01 July</b>   | <b>11.25</b>   | 12.67          |
| Capital (loss) / gain on sale of investments - net  | (3.27)         | 0.78           |
| Unrealized diminution in value of<br>investments at fair value through profit or loss - net | (1.43)         | (2.37)         |
| Other net operating income for the year   | 0.23           | 0.16           |
| Net loss for the year - per share   | (4.48)         | (1.42)         |
| <br><b>Net assets per share as at 30 June</b>   | <b>6.78</b>    | 11.25          |

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Annual Report 2009

**DISTRIBUTION STATEMENT***For The Year Ended 30 June 2009*

|  | <b>2009<br/>Rupees</b>     | <b>2008<br/>Rupees</b>   |
|--|----------------------------|--------------------------|
| <b>Undistributed income brought forward</b>                      | <b>37,604,653</b>          | 80,280,534               |
| Net loss for the year  | <b>(134,298,872)</b>       | (42,675,881)             |
| <b>(Accumulated loss) / undistributed income carried forward</b> | <b><u>(96,694,219)</u></b> | <b><u>37,604,653</u></b> |

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS

### *For The Year Ended 30 June 2009*

#### **1. Status and nature of business**

First Capital Mutual Fund Limited (the "Fund") 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 Fund commenced its operations on March 14, 1995. The Fund is listed on Karachi and Lahore Stock Exchanges. It is registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Fund is registered as Notified Entity under the Non Banking Finance Companies and Notified Entities Regulations, 2008. SECP at the time of registration as notified entity vide its letter No. NBFC/FM-RS/FMCFL/2009/807 dated 27 August 2009 specified the condition that the Fund to ensure to meet the minimum equity requirement of Rs. 250 million latest by March 2010. The object of the Fund is to carry on the business of a close end mutual fund and to invest its assets in securities, which are listed or unquoted securities unless an application for listing of such securities has been accepted by the stock exchanges.

The Fund has an agreement with First Capital Investments Limited ("FCIL"), an associated company, to provide asset management services. FCIL is duly licensed under the NBFC Rules to provide asset management services to closed end funds only.

FCIL has been assigned rating of "AM4+" by Pakistan Credit Rating Agency (PACRA). The Fund has been assigned long term credit rating at "3 Star", while normal credit rating has been assigned at "1 Star" by PACRA.

Central Depository Company of Pakistan Limited is the custodian of the Fund.

The Securities and Exchange Commission of Pakistan notified the Non-Banking Finance Companies and Notified Entities Regulations, 2008 during the year. As per Regulation 65 of these regulations an asset management company managing an Investment Company shall, upon the expiry of every five years from 21st November 2007 or the date of launch of the Investment Company whichever is later, hold within one month of such period a meeting of share holders to seek the approval of the shareholders (by special resolution) to convert the Investment Company into an Open End Scheme or wind up the Investment Company.

#### **2 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations 2008 or directives issued by the Commission differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### **3 Basis of measurement**

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

#### **3.2 Critical accounting estimates and judgments**

The preparation of financial statements, in conformity with approved accounting standards, requires management to make judgments, estimates and assumptions that affect the application of policies reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable

under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Fair value of investments
- b) Realisability of other assets balances
- c) Provision for taxation

### **3.3 Standards, interpretations and amendments to international accounting standards**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2009:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Fund's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Fund's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Fund's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary,

while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Fund's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Fund's “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. Currently the Fund presents segment information in respect of its business and geographical segments. This standard will have no effect on the Fund's reported total profit or loss or equity.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Fund's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Fund's 2009) financial statements. These amendments are unlikely to have an impact on the Fund's accounts except for the following:

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Fund's financial statements.

IAS 27 – ‘Consolidated and separate financial statements’ (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Fund's financial investments.

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Fund distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Fund does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Fund's financial statements.

IFRIC 18 – Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Fund's operations.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Fund's operations.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Fund's financial statements.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Fund's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Fund's 2010 financial statements. These amendments are unlikely to have an impact on the Fund's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

### **3.4 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund.

## **4 Summary of significant accounting policies**

### **4.1 Investment at fair value through profit or loss**

An investment is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Investments which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual patterns of short term profit taking are classified as held for trading or a derivative.

Investments in listed securities including investment in associated companies are classified as investment at fair value through profit or loss. 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 recognized at cost, being the fair value of the consideration given excluding acquisition charges associated with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in income statement of the period. Transaction costs are expensed out immediately.

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

## **4.2 Taxation**

### **4.2.1 Current**

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 Fund 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.

### **4.2.2 Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits 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 calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The deferred tax asset on unused tax losses has not been recognized in these financial statements, as the Fund 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.

## **4.3 Revenue recognition**

### **4.3.1 Capital gains**

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

### **4.3.2 Unrealized gain / (loss)**

Unrealized gain / (loss) arising on the revaluation of securities is included in the income statement in the year in which it arises.

### **4.3.3 Dividend**

Dividend income is recognized when the right to receive dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.

### **4.3.4 Profit on bank deposits**

Profit on bank deposits is recognized on accrual basis.



#### **4.4 Trade date accounting**

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

#### **4.5 Financial instrument**

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

The Fund de-recognizes a financial asset or portion of financial asset when, and only when, the fund 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-recognized 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.

#### **4.6 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 Fund has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

#### **4.7 Provisions**

A provision is recognized when the Fund 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.

#### **4.8 Related party transactions**

The related parties comprise of directors, key management personnel and associated companies. All transactions with related parties are entered into on an arm's length basis.

#### **4.9 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 at fair value through profit or loss

Ordinary fully paid shares have a face value of Rs. 10/- each except as mentioned in Note 5.2 of these financial statements.

| SECTOR / NAME OF INVESTEE COMPANY                              | NUMBER OF SHARES                      |                           |                                       |                       |                            | BALANCE AS AT JUNE 30, 2009 |              |                        |        | Market value as a percentage of net assets | Percentage of paid up capital of the investee company | Market value as a percentage of total investments |
|--|---------------------------------------|---------------------------|---------------------------------------|-----------------------|----------------------------|-----------------------------|--------------|------------------------|--------|--|---|---|
|  | Holdings at the beginning of the year | Purchased during the year | Bonns/Rights received during the year | Sales during the year | Holding at end of the year | Cost/carrying value         | Market Value | Unrealized gain/(loss) |        |  |   |   |
|  |                                       |                           |                                       |                       |                            |                             |              |                        | Ruppes |  |   |   |
| Investment Companies / Banks                                   |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| First Capital Equities Limited                                 | 96,400                                | -                         | 24,100                                | -                     | 120,500                    | 14,802,220                  | 10,919,770   | (3,882,510)            |        | 5.37                                       | 0.11  | 5.57  |
| Arif Habib Securities Limited                                  | -                                     | 305,000                   | -                                     | 95,000                | 210,000                    | 6,435,450                   | 5,804,400    | (631,050)              |        | 2.86                                       | 0.06  | 2.86  |
| Jehangir Siddiqui Company Limited                              | 10,000                                | 165,000                   | 24,377                                | 25,000                | 174,377                    | 8,877,795                   | 4,043,805    | (4,833,992)            |        | 1.39                                       | 0.02  | 2.06  |
| JS Investments Limited   | -                                     | 87,000                    | -                                     | -                     | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Commercial Banks   |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Bank Alfalah Limited   | 106,400                               | 557,000                   | 48,477                                | 207,000               | 594,877                    | 30,115,465                  | 20,767,913   | (9,347,552)            |        | 10.22                                      | -   | 10.60   |
| Bank Azadi Limited   | 86,500                                | 500,000                   | 188,618                               | 452,600               | 322,518                    | 6,865,215                   | 3,402,565    | (3,462,650)            |        | 1.67                                       | 0.02  | 1.74  |
| National Bank of Pakistan Limited                              | 75,800                                | 221,000                   | 39,100                                | 131,800               | 204,100                    | 19,462,629                  | 13,680,823   | (5,781,806)            |        | 6.73                                       | 0.02  | 6.98  |
| United Bank Limited  | 142,500                               | 198,000                   | 2,350                                 | 287,500               | 55,350                     | 2,717,696                   | 2,115,352    | (598,344)              |        | 1.04                                       | 0.00  | 1.08  |
| Bank of Punjab Limited   | -                                     | 25,000                    | -                                     | -                     | -                          | -                           | -            | -                      |        | -  | -   | -   |
| MCB Bank Limited   | 83,450                                | 119,000                   | 1,145                                 | 165,500               | 38,095                     | 6,473,758                   | 5,905,868    | (567,890)              |        | 2.90                                       | 0.01  | 3.01  |
| Meezan Bank Limited  | -                                     | 40,000                    | -                                     | -                     | -                          | -                           | -            | -                      |        | -  | -   | -   |
| NIB Bank Limited   | 200,000                               | 600,000                   | -                                     | 800,000               | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Habib Bank Limited   | 44,500                                | 51,800                    | 2,900                                 | 77,100                | 22,100                     | 2,186,828                   | 1,901,926    | (284,902)              |        | 0.94                                       | 0.00  | 0.97  |
| Bank Al-Habab Limited  | 61,700                                | -                         | 11,000                                | 72,700                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| KASB Bank Limited  | -                                     | 910,000                   | -                                     | 45,500                | 864,500                    | 6,654,402                   | 8,921,640    | 2,267,238              |        | 4.39                                       | 0.22  | 4.55  |
| Silk Bank Limited (Formerly Saudi Pak Commercial Bank Limited) | -                                     | 290,500                   | -                                     | 290,500               | -                          | -                           | -            | -                      |        | -  | -   | -   |
| JS Bank Limited  | -                                     | 135,000                   | -                                     | 135,000               | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Royal Bank of Scotland Limited                                 | -                                     | 77,000                    | -                                     | 77,000                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Payal Bank Limited   | -                                     | 138,000                   | -                                     | 138,000               | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Allied Bank Limited  | 25,000                                | -                         | 2,250                                 | 27,250                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Insurance Companies  | 719,450                               | 3,305,300                 | 247,363                               | 2,765,450             | 1,506,663                  | 44,360,528                  | 35,932,174   | (8,428,354)            |        | 17.87                                      | -   | 18.34   |
| Shahen Insurance Company Limited                               | -                                     | 98,100                    | -                                     | -                     | 98,100                     | 3,008,727                   | 2,638,890    | (369,837)              |        | 1.30                                       | 0.56  | 1.35  |
| Adenjee Insurance Company Limited                              | 20,500                                | 111,000                   | 2,720                                 | 82,800                | 51,420                     | 4,910,522                   | 4,318,766    | (591,756)              |        | 2.12                                       | 0.05  | 2.20  |
| E F U General Insurance Company Limited                        | 25,000                                | 13,800                    | -                                     | -                     | 38,800                     | 10,526,983                  | 3,417,892    | (7,109,091)            |        | 1.68                                       | 0.03  | 1.74  |
| IEF U Life Assurance Company Limited                           | -                                     | 9,000                     | -                                     | -                     | 9,000                      | 1,270,513                   | 899,460      | (371,053)              |        | 0.44                                       | 0.01  | 0.46  |
| Pakistan Reinsurance Company Limited                           | -                                     | 93,100                    | -                                     | 75,000                | 18,100                     | 904,893                     | 634,043      | (270,850)              |        | 0.31                                       | 0.01  | 0.32  |
| Central Insurance Company Limited                              | 10,000                                | -                         | 1,000                                 | 11,000                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| IGI Insurance Company Limited                                  | -                                     | 8,700                     | -                                     | 8,700                 | -                          | -                           | -            | -                      |        | -  | -   | -   |
| New Jubilee Life Insurance Company Limited                     | -                                     | 3,500                     | -                                     | 3,500                 | -                          | -                           | -            | -                      |        | -  | -   | -   |
| 55,500   | 337,200                               | 3,720                     | 181,400                               | 215,620               | 215,620                    | 20,621,638                  | 11,900,051   | (8,712,587)            |        | 5.86                                       | -   | 6.08  |
| Textile Composite  |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Nishar Mills Limited   | 70,000                                | 298,000                   | -                                     | 125,000               | 243,000                    | 10,304,050                  | 9,190,260    | (1,113,790)            |        | 4.52                                       | 0.10  | 4.69  |
| August Nine Limited  | -                                     | 220,000                   | 55,416                                | 60,000                | 215,416                    | 5,179,268                   | 4,769,510    | (409,758)              |        | 2.35                                       | 0.05  | 2.43  |
| 70,000   | 518,000                               | 55,416                    | 185,000                               | 458,416               | 458,416                    | 15,483,318                  | 13,959,570   | (1,523,748)            |        | 6.87                                       | -   | 7.13  |
| Jute   |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Thal Limited   | -                                     | 33,000                    | -                                     | 33,000                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Sugar & Allied Industries                                      |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Haseeb Wahag Sugar Mills Limited                               | -                                     | 24,000                    | -                                     | -                     | 24,000                     | 1,096,421                   | 1,091,520    | (4,901)                |        | 0.54                                       | 0.07  | 0.56  |
| -  | 24,000                                | -                         | -                                     | -                     | 24,000                     | 1,096,421                   | 1,091,520    | (4,901)                |        | 0.54                                       | -   | -   |
| Cement   |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Fajri Cement Company Limited                                   | 100,000                               | 100,000                   | -                                     | 100,000               | 100,000                    | 722,500                     | 659,000      | (63,500)               |        | 0.32                                       | 0.01  | 0.34  |
| Attock Cement Company Limited                                  | -                                     | 23,500                    | -                                     | 23,500                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Dewan Cement Limited   | 41,512                                | 41,000                    | -                                     | 41,000                | 41,512                     | 418,328                     | 114,158      | (304,170)              |        | 0.06                                       | 0.01  | 0.06  |
| D.G.Khan Cement Company Limited                                | 214,055                               | 442,700                   | 12,811                                | 525,000               | 144,566                    | 3,919,705                   | 4,286,382    | 366,677                |        | 2.11                                       | 0.06  | 2.19  |
| Maple Leaf Cement Factory Limited                              | -                                     | 200,000                   | -                                     | 200,000               | -                          | -                           | -            | -                      |        | -  | -   | -   |
| Lucky Cement Company Limited                                   | 11,500                                | 439,100                   | -                                     | 289,100               | 161,500                    | 9,328,401                   | 9,452,595    | 124,194                |        | 4.65                                       | 0.05  | 4.83  |
| 367,067  | 1,246,300                             | 12,811                    | 1,178,600                             | 447,578               | 14,512,135                 | 14,512,135                  | 123,201      |                        | 7.14   | -  | -   | 7.41  |
| Refinery   |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Attock Refinery Limited  | -                                     | 60,000                    | -                                     | 45,000                | 15,000                     | 1,894,051                   | 1,871,850    | (22,201)               |        | 0.92                                       | 0.02  | 0.96  |
| Baouir Pakistan Limited  | 40,200                                | 105,000                   | -                                     | 60,000                | 45,000                     | 323,001                     | 313,200      | (9,801)                |        | 2.13                                       | 0.01  | 0.16  |
| Pakistan Refinery Limited                                      | 4,153                                 | -                         | -                                     | 31,200                | 19,700                     | 5,176,409                   | 4,334,594    | (842,015)              |        | -  | 0.02  | 2.21  |
| 44,353   | 175,700                               | -                         | 140,333                               | 79,700                | 7,393,461                  | 6,519,444                   | (874,017)    |                        | 3.21   | -  | -   | 3.33  |
| Tobacco  |                                       |                           |                                       |                       |                            |                             |              |                        |        |  |   |   |
| Pakistan Tobacco Company Limited                               | 30,000                                | -                         | -                                     | 30,000                | -                          | -                           | -            | -                      |        | -  | -   | -   |
| 30,000   | -                                     | -                         | -                                     | -                     | -                          | -                           | -            | -                      |        | -  | -   | -   |

| SECTOR / NAME OF INVESTEE COMPANY | NUMBER OF SHARES                      |                           |                                       |                       | BALANCE AS AT JUNE 30,2009    |                     |             |                        | Market value as a percentage of net assets | Percentage of paid up capital of the investee company | Market value as a percentage of total investments |
|-----------------------------------|---------------------------------------|---------------------------|---------------------------------------|-----------------------|-------------------------------|---------------------|-------------|------------------------|--|---|---|
|                                   | Holdings at the beginning of the year | Purchased during the year | Bouns/Rights received during the year | Sales during the year | Holding as at end of the year | Cost/carrying value |             | Unrealized gain/(loss) |  |   |   |
|                                   |                                       |                           |                                       |                       |                               | Rupees              | Rupees      |                        |  |   |   |
|                                   |                                       |                           |                                       |                       |                               |                     |             | Rupees                 |  |   |   |
| Power Generation and Distribution | 320,000                               | -                         | -                                     | 320,000               | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 55,000                    | -                                     | 55,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 320,000                               | 55,000                    | -                                     | 375,000               | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 23,000                                | 59,800                    | -                                     | 61,300                | 21,500                        | 5,058,258           | 4,593,475   | (464,783)              | 2.26                                       | 0.01  | 2.34  |
|                                   | -                                     | 4,800                     | -                                     | 4,800                 | -                             | -                   | -           | -                      | -  | -   | -   |
| Oil & Gas Marketing Companies     | -                                     | 5,000                     | -                                     | 5,000                 | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 23,000                                | 69,600                    | -                                     | 71,100                | 21,500                        | 5,058,258           | 4,593,475   | (464,783)              | 2.26                                       | -   | 2.34  |
|                                   | 40,000                                | 114,600                   | 8,000                                 | 57,500                | 105,100                       | 20,161,196          | 15,334,090  | (4,827,106)            | 7.54                                       | 0.03  | 7.83  |
|                                   | 220,000                               | 263,000                   | -                                     | 272,300               | 210,700                       | 19,191,399          | 16,569,448  | (2,621,951)            | 8.15                                       | 0.00  | 8.46  |
|                                   | 99,500                                | 43,000                    | 9,950                                 | 96,500                | 55,950                        | 11,533,846          | 10,604,763  | (929,083)              | 5.22                                       | 0.01  | 5.41  |
| Oil & Gas Exploration Companies   | 25,300                                | 28,700                    | -                                     | 54,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 384,800                               | 440,300                   | 17,950                                | 480,300               | 371,750                       | 50,886,441          | 42,508,301  | (8,378,140)            | 20.91                                      | -   | 21.70   |
|                                   | 20,000                                | -                         | 2,000                                 | 22,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 20,000                                | -                         | 2,000                                 | 22,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 6,190                                 | 21,400                    | -                                     | 27,590                | -                             | -                   | -           | -                      | -  | -   | -   |
| Automobile Assembler              | 14,700                                | -                         | -                                     | 14,700                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 5,200                     | -                                     | 5,200                 | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 20,890                                | 26,600                    | -                                     | 47,490                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 375,000                   | -                                     | 265,000               | 110,000                       | 2,379,674           | 2,696,100   | 316,426                | 1.33                                       | 0.18  | 1.38  |
|                                   | -                                     | 375,000                   | -                                     | 265,000               | 110,000                       | 2,379,674           | 2,696,100   | 316,426                | 1.33                                       | -   | 1.38  |
| Transport                         | -                                     | 60,700                    | -                                     | 43,300                | 17,400                        | 873,297             | 929,682     | 56,385                 | 0.46                                       | 0.02  | 0.47  |
|                                   | -                                     | 20,000                    | -                                     | 20,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 80,700                    | -                                     | 63,300                | 17,400                        | 873,297             | 929,682     | 56,385                 | 0.46                                       | -   | 0.47  |
|                                   | 415,000                               | 497,000                   | -                                     | 520,000               | 392,000                       | 10,035,631          | 6,758,080   | (3,277,551)            | 3.32                                       | 0.01  | 3.45  |
|                                   | 425,000                               | 25,000                    | -                                     | 450,000               | -                             | -                   | -           | -                      | -  | -   | -   |
| Technology & Communication        | 88,000                                | 51,000                    | 17,600                                | 140,400               | 16,200                        | 256,122             | 289,332     | 33,210                 | 0.14                                       | 0.02  | 0.15  |
|                                   | 15,000                                | -                         | -                                     | 15,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 943,000                               | 573,000                   | 17,600                                | 1,125,400             | 408,200                       | 10,291,753          | 7,047,412   | (3,244,341)            | 3.47                                       | -   | 3.60  |
|                                   | 85,654                                | 121,500                   | 40,261                                | 156,000               | 91,415                        | 9,737,571           | 11,740,428  | 2,002,857              | 5.77                                       | 0.04  | 5.99  |
|                                   | 105,000                               | 201,700                   | 37,355                                | 230,700               | 113,355                       | 10,030,636          | 9,856,217   | (174,419)              | 4.85                                       | 0.02  | 5.03  |
| Fertilizer                        | -                                     | 41,600                    | -                                     | 41,600                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 29,500                                | 550,000                   | -                                     | 529,500               | 50,000                        | 907,500             | 884,500     | (23,000)               | 0.44                                       | 0.01  | 0.45  |
|                                   | 220,154                               | 914,800                   | 77,616                                | 997,800               | 254,770                       | 20,675,707          | 22,481,145  | 1,805,438              | 11.06                                      | -   | 11.48   |
|                                   | 18,800                                | -                         | -                                     | 18,800                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 18,800                                | -                         | -                                     | 18,800                | -                             | -                   | -           | -                      | -  | -   | -   |
| Chemical                          | 70,000                                | 19,700                    | -                                     | 89,700                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 60,000                    | -                                     | 60,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | 580,000                   | -                                     | 110,000               | 470,000                       | 5,061,571           | 3,543,800   | (1,517,771)            | 0.09                                       | 0.19  | 0.09  |
|                                   | -                                     | 57,500                    | -                                     | 25,000                | 32,500                        | 759,541             | 599,300     | (160,241)              | 0.29                                       | 0.06  | 0.31  |
|                                   | -                                     | 195,000                   | -                                     | 80,000                | 115,000                       | 2,677,464           | 2,203,400   | (474,064)              | 1.08                                       | -   | 1.12  |
| Pharmaceuticals                   | 790,500                               | -                         | -                                     | 790,500               | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 10,000                                | -                         | -                                     | 10,000                | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | 870,500                               | 912,200                   | -                                     | 1,105,200             | 677,500                       | 8,727,688           | 6,531,900   | (2,195,788)            | 3.21                                       | -   | 3.33  |
|                                   | -                                     | 78,100                    | -                                     | 69,100                | 9,000                         | 1,411,904           | 1,413,360   | 1,456                  | 0.70                                       | 0.01  | 0.72  |
|                                   | -                                     | 78,100                    | -                                     | 69,100                | 9,000                         | 1,411,904           | 1,413,360   | 1,456                  | 0.70                                       | -   | 0.72  |
| Miscellaneous                     | 58,800                                | 2,100                     | -                                     | 30,900                | 30,000                        | 5,126,403           | 2,996,700   | (2,129,703)            | 1.47                                       | 0.10  | 1.53  |
|                                   | 58,800                                | 2,100                     | -                                     | 30,900                | 30,000                        | 5,126,403           | 2,996,700   | (2,129,703)            | 1.47                                       | -   | 1.53  |
|                                   | 4,272,694                             | 9,732,900                 | 482,953                               | 9,351,773             | 5,136,774                     | 238,890,690         | 195,889,882 | (43,000,808)           | 96.35                                      | -   | 100   |
|                                   | -                                     | -                         | -                                     | -                     | -                             | -                   | -           | -                      | -  | -   | -   |
|                                   | -                                     | -                         | -                                     | -                     | -                             | -                   | -           | -                      | -  | -   | -   |

**5.1** Net assets are as defined in Regulation 66 of Non Banking Finance Companies and Notified Entities Regulations, 2008.

**5.2** Nimir Industrial Chemicals Limited's shares have a face value of Rs. 5 per share.

**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.

|   | <i>Note</i> | <b>2009<br/>Rupees</b> | 2008<br>Rupees   |
|---|-------------|------------------------|------------------|
| <b>6 Dividend and other receivables</b>                                 |             |                        |                  |
| Dividend receivable   |             | 964,521                | 1,959,751        |
| Receivables on account of sale of shares -<br>unsecured considered good |             | 5,077,623              | -                |
| Profit on bank deposits   |             | 44,564                 | 159,264          |
| Fee and subscription prepaid  |             | -                      | 27,500           |
| Advance tax   |             | 189,735                | 996,154          |
|   |             | <u>6,276,443</u>       | <u>3,142,669</u> |
| <b>7 Bank balances</b>  |             |                        |                  |
| Cash at bank:   |             |                        |                  |
| Current accounts  |             | 1,453,232              | 1,444,262        |
| Deposit accounts  | 7.1         | 6,501,204              | 7,307,817        |
|   |             | <u>7,954,436</u>       | <u>8,752,079</u> |

**7.1** The balances on saving account bear mark up which ranges from 5% to 8% (2008: 6% to 9.5%)

|  | <i>Note</i> | <b>2009<br/>Rupees</b> | 2008<br>Rupees    |
|--|-------------|------------------------|-------------------|
| <b>8 Payable to Asset Management Company -<br/>an associated company</b> |             |                        |                   |
| Balance as at July 01  |             | 7,436,075              | 6,772,792         |
| Remuneration for the year @ 2% of average<br>annual net assets           | 8.1         | 4,144,100              | 7,436,075         |
|  |             | <u>11,580,175</u>      | <u>14,208,867</u> |
| Less: Payments made during the year                                      |             | (7,436,075)            | (6,772,792)       |
|  |             | <u>4,144,100</u>       | <u>7,436,075</u>  |

**8.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Asset Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Asset Management Company has charged its remuneration for the current year at the rate of two percent per annum.

The net assets of the Fund as at 30 June 2009 are calculated as follows:

|  | <i>Note</i> | <b>2009<br/>Rupees</b>    | 2008<br>Rupees     |
|--|-------------|---------------------------|--------------------|
| Average annual net assets before charging remuneration of Asset Management Company and annual fee to SECP. |             | <u><b>207,204,998</b></u> | <u>371,803,775</u> |
| 2% of annual average net assets  |             | <u><b>4,144,100</b></u>   | <u>7,436,075</u>   |

## 9 Trade and other payables

|   |            |                         |                  |
|---|------------|-------------------------|------------------|
| Accrued custodian fee                   |            | <b>51,732</b>           | 25,994           |
| Listing and regulatory expenses payable |            | -                       | 60,000           |
| Legal expenses payable                  |            | <b>18,000</b>           | -                |
| Auditors' remuneration                  |            | <b>190,000</b>          | 200,000          |
| Annual fee-SECP                         | <i>9.1</i> | <b>196,845</b>          | 371,804          |
| Unclaimed dividend                      |            | <u><b>1,784,244</b></u> | <u>1,784,584</u> |
|   |            | <u><b>2,240,821</b></u> | <u>2,442,382</u> |

**9.1** Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed end fund is required to pay as annual fee to SECP, an amount equal to 0.095 percent of average annual net assets of the Fund.

|   | <b>2009<br/>Rupees</b>    | 2008<br>Rupees     |
|---|---------------------------|--------------------|
| <b>10 Issued, subscribed and paid-up capital</b>                                |                           |                    |
| 30,000,000 (2008: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash | <u><b>300,000,000</b></u> | <u>300,000,000</u> |

**10.1** First Capital Investment Limited, an associated company, holds 6,962,380 (2008: 3,430,880) ordinary shares of Rs. 10/- each representing 23.21% (2008: 11.44%) of the issued, subscribed and paid up capital of the Fund.

## 11 Contingencies and commitments

### 11.1 Contingencies

Nil (2008: Nil)

### 11.2 Commitments

Nil (2008: Nil)

|  | 2009<br>Rupees | 2008<br>Rupees |
|--|----------------|----------------|
| <b>12 Fees and subscription</b>                              |                |                |
| Central Depository Company of Pakistan Limited fee           | 67,500         | 67,500         |
| Listing and regulatory expenses                              | 215,000        | 170,000        |
| Annual fee to Securities and Exchange Commission of Pakistan | 196,845        | 371,804        |
|  | <u>479,345</u> | <u>609,304</u> |
| <b>13 Auditors' remuneration</b>                             |                |                |
| Statutory audit  | 175,000        | 175,000        |
| Half year review   | 85,000         | 75,000         |
| Special certifications                                       | 10,000         | 10,000         |
| Out of pocket expenses                                       | 30,000         | 35,000         |
|  | <u>300,000</u> | <u>295,000</u> |

**14 Taxation**

|              |                |                  |
|--------------|----------------|------------------|
| Current year | <u>477,717</u> | <u>1,085,996</u> |
|              | <u>477,717</u> | <u>1,085,996</u> |

**15 Loss per share - basic and diluted**

|  |               |                      |                     |
|--|---------------|----------------------|---------------------|
| Loss attributable to ordinary shareholders | <i>Rupees</i> | <u>(134,298,872)</u> | <u>(42,675,881)</u> |
| Weighted average number of ordinary shares | <i>Number</i> | <u>30,000,000</u>    | <u>30,000,000</u>   |
| Loss per share                             | <i>Rupees</i> | <u>(4.48)</u>        | <u>(1.42)</u>       |

There is no dilutive effect on the basic earnings per share of the Fund.

**16 Transactions with related parties and connected persons**

The transactions with related parties and connected persons are as follows:

|  | 2009<br>Rupees | 2008<br>Rupees |
|--|----------------|----------------|
| <b>First Capital Investments Limited<br/>- Asset Management Company</b>          |                |                |
| Remuneration to Asset Management Company   | 4,144,100      | 7,436,075      |
| <b>First Capital Equities Limited</b>  |                |                |
| Brokerage  | 1,100          | -              |
| <b>Central Depository Company of Pakistan Limited<br/>-custodian of the Fund</b> |                |                |
| Custodian fee  | 364,074        | 405,560        |
| Custodian fee payable  | 51,732         | 25,994         |

## 17 Financial instruments

The Fund has exposure to the following risks from its use of financial instruments.:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

### 17.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade receivables and security deposits. Out of the total financial assets of Rs. 210.068 million (2008: Rs. 347.573 million) financial assets which are subject to credit risk amount to Rs. 6.224 million (2008: Rs. 2.284 million).

All investing transactions are settled / paid for upon delivery. The Fund's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Fund believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

|  | <b>2009</b><br><b>Rupees</b> | 2008<br>Rupees     |
|--|------------------------------|--------------------|
| Investments at fair value through profit or loss | <b>195,889,882</b>           | 336,536,858        |
| Dividend and other receivables                   | <b>6,086,708</b>             | 2,146,515          |
| Long term deposits                               | <b>137,500</b>               | 137,500            |
| Bank balances                                    | <b>7,954,436</b>             | 8,752,079          |
|  | <b><u>210,068,526</u></b>    | <u>347,572,952</u> |

The Fund do not have any trade debts as at balance sheet date 30 June 2009.



## 17.2 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Fund is not materially exposed to liquidity risk as substantially all obligations / commitments of the Fund are short term in nature and are restricted to the extent of available liquidity.

## 17.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Fund's income or the value of its holdings of financial instruments.

### 17.3.1 Currency risk

The Fund is not exposed to any currency risk.

### 17.3.2 Interest rate risk

The Fund is not exposed to any interest rate risk.

### 17.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). As at reporting date the Fund is exposed to price risk on following financial instruments:

|  | 2009<br>Rupees     | 2008<br>Rupees     |
|--|--------------------|--------------------|
| Investments at fair value through profit or loss | <u>195,889,882</u> | <u>336,536,858</u> |

## 17.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 17.5 Capital management

The Fund's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of Fund's business. The Board of Directors monitors the return on capital employed, which the Fund defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Fund's objectives when managing capital are:



- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Fund manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may, adjust the amount of dividends paid to shareholders, issue new shares.

There were no changes in the Fund's approach to capital management during the year and the Fund is not subject to externally imposed capital requirements.

## 18 Investment committee members

Details of members of investment committee of the Fund are as follows:

| Name                  | Designation              | Qualification    | Experience in years |
|-----------------------|--------------------------|------------------|---------------------|
| Syed Kashan Kazmi     | Chief Executive Officer  | MBA              | 15 Years            |
| Omer Subhan Salamat * | Director                 | Bachelor in Arts | 9 Years             |
| Pardeep Kumar         | Chief Investment Officer | MBA, CFA         | 10 Years            |

\* During the year Mr. Kamran Hafeez has resigned and Mr. Omer Subhan Salamat was appointed as member of investment committee.

**18.1** No other fund is being managed by Mr. Pardeep Kumar

## 19 Attendance at meeting of board of directors

The 1st, 2nd, 3rd, 4th and 5th board meetings were held on 24th July 2008, 29th September 2008, 29th October 2008, 27th February 2009 and 25th April 2009 respectively during 1 July 2008 to 30 July 2009.

| Name of Director         | Number of meetings |               | Meetings not attended |
|--------------------------|--------------------|---------------|-----------------------|
|                          | Attended           | Leave Granted |                       |
| Salmaan Taseer           | 4                  | 1             | 3rd                   |
| Kamran Hafeez *          | 4                  | 1             | 4th                   |
| Muhammad Naveed Tariq    | 5                  | -             | -                     |
| Khawaja Khalil Shah *    | -                  | 5             | All                   |
| Mahmood Ali Athar        | -                  | 5             | All                   |
| Ahmad Bilal              | 5                  | -             | -                     |
| Muhammad Musharaf Khan * | 4                  | 1             | Last                  |
| Omer Subhan Salamat      | 3                  | -             | -                     |
| Syed Kashan Kazmi        | -                  | -             | -                     |
| Suhail Ahmad             | -                  | -             | -                     |

During the year Mr. Omer Subhan Salamat has been appointed as Director in the place of Khawaja Khalil Shah. Syed Kashan Kazmi appointed as Chief Executive/Director in place of Mr. Kamran Hafeez and Mr. Suhail Ahmad appointed as director in place of Mr. Muhammad Musharraf Khan subject to approval of Securities & Exchange Commission of Pakistan.

## 20 Pattern of shareholding

Shareholding pattern of the Fund as at 30 June 2009 is as follows:

| Category                 | Number of Shareholders | Shareholders amount | % of total    |
|--------------------------|------------------------|---------------------|---------------|
| Individuals              | 2,137                  | 5,732,282           | 19.11         |
| Associated Company       | 1                      | 6,962,380           | 23.21         |
| Directors                | 7                      | 60,500              | 0.20          |
| Insurance Company        | -                      | -                   | 0.00          |
| Banks/DFIs               | 3                      | 143,537             | 0.48          |
| NBFCs                    | 1                      | 800                 | 0.00          |
| Retirement Fund          | -                      | -                   | 0.00          |
| Public Companies Limited | 8                      | 4,016,230           | 13.39         |
| Others                   | 28                     | 13,084,271          | 43.61         |
|                          | <b>2,185</b>           | <b>30,000,000</b>   | <b>100.00</b> |

Shareholding pattern of the Fund as at 30 June 2008 is as follows:

| Category                 | Number of Shareholders | Shareholders amount | % of total    |
|--------------------------|------------------------|---------------------|---------------|
| Individuals              | 2,076                  | 19,280,270          | 64.27         |
| Associated Company       | 1                      | 3,430,880           | 11.44         |
| Directors                | 7                      | 60,500              | 0.20          |
| Insurance Company        | -                      | -                   | 0.00          |
| Banks/DFIs               | 1                      | 143,097             | 0.48          |
| NBFCs                    | 1                      | 800                 | 0.00          |
| Retirement Fund          | -                      | -                   | 0.00          |
| Public Companies Limited | 6                      | 3,855,130           | 12.85         |
| Others                   | 20                     | 3,229,323           | 10.76         |
|                          | <b>2,112</b>           | <b>30,000,000</b>   | <b>100.00</b> |

## 21 Detail of shareholding with five percent or more holding

Detail of share holding with five percent or more holding of the Fund as at 30 June 2009 is as follows:

| Name                              | Number of Shareholders | Shareholders amount | %     |
|-----------------------------------|------------------------|---------------------|-------|
| First Capital Investments Limited | 1                      | 6,962,380           | 23.21 |

|  |   |           |       |
|--|---|-----------|-------|
| First Capital Equities Limited                 | 1 | 3,735,330 | 12.45 |
| Al- Hoqani Securities & Investment Corporation | 1 | 6,000,000 | 20.00 |
| Milage (Private) Limited                       | 1 | 1,993,000 | 6.64  |
| Wireless n Cable (Private) Limited             | 1 | 1,900,000 | 6.33  |
| WTL Services (Private) Limited                 | 1 | 1,784,590 | 5.95  |

Detail of shares holding with five percent or more holding of the Fund as at 30 June 2008 is as follows:

| Name                              | Number of Shareholders | Shareholders amount | %     |
|-----------------------------------|------------------------|---------------------|-------|
| First Capital Investments Limited | 1                      | 3,430,880           | 11.44 |
| Suliman Ahmed Said Al-Hoqani      | 1                      | 17,086,730          | 56.96 |
| First Capital Equities Limited    | 1                      | 3,735,330           | 12.45 |

## 22 Top ten brokerage commission by percentage

Detail of top ten broker transactions for the year ended is as follows:

| Broker's Name                                   | 2009 | %     |
|---|------|-------|
| Aziz Fida Hussain                               |      | 21.61 |
| Aqeel Karim Dhedhi Securities (Private) Limited |      | 19.60 |
| Arif Habib Limited                              |      | 9.20  |
| BMA Capital Management Limited                  |      | 8.01  |
| First Capital Equities Limited                  |      | 7.52  |
| Elixir Securities Pakistan (Private) Limited    |      | 7.05  |
| IGI Finex Securities Limited                    |      | 6.00  |
| KASB Securities Limited                         |      | 5.26  |
| Live Securities (Private) Limited               |      | 4.83  |
| Shahzad Chamdia Securities (Private) Limited    |      | 3.61  |
|   | 2008 | %     |
| Invisor Securities (Private) Limited            |      | 17.52 |
| Atlas Capital (Private) Limited                 |      | 12.33 |
| Aqeel Karim Dhedhi Securities (Private) Limited |      | 12.00 |
| Elixir Securities Pakistan (Private) Limited    |      | 11.75 |
| Arif Habib Limited                              |      | 11.50 |
| KASB Securities Limited                         |      | 11.45 |
| Aziz Fida Hussain                               |      | 6.77  |
| Fortune Securities Limited                      |      | 4.62  |
| BMA Capital Management Limited                  |      | 4.28  |
| JS Global Capital Limited                       |      | 3.46  |

**23 Date of authorization for issue**

These financial statements were authorized for issue on 19 September 2009 by the board of directors.

**24 General**

Figures have been rounded off to the nearest rupee.

**LAHORE**

**CHIEF EXECUTIVE**

**DIRECTOR**

## PERFORMANCE TABLE

|   | 2009          | 2008         | 2007            | 2006            | 2005            |
|---|---------------|--------------|-----------------|-----------------|-----------------|
| Net assets (Rupees)                                     | 203,305,781   | 337,604,653  | 380,280,534     | 176,042,778     | 142,611,413     |
| Profit/(loss) after tax (Rupees)                        | (134,298,872) | (42,675,881) | 114,399,756     | 48,269,365      | 24,094,637      |
| Net assets value per share (Rupees)                     | 6.78          | 11.25        | 12.68           | 11.74           | 9.51            |
| Earnings/(loss) per share (Rupees)                      | (4.48)        | (1.42)       | 3.95            | 3.22            | 1.61            |
| Final dividend distribution (Per share) - gross         | -             | -            | 1.00            | 1.00            | 1.00            |
| Interim dividend distribution (Per share) - gross       | -             | -            | -               | -               | -               |
| Distribution Dates - Final dividend                     | -             | -            | 30 October 2007 | 30 October 2006 | 29 October 2005 |
| Distribution Dates - Interim dividend                   | -             | -            | -               | -               | -               |
| <b>Total Return (%)</b>                                 | (39.72)       | (3.94)       | 18.04           | 35.31           | 20.20           |
| <b>Distribution</b>                                     | -             | -            | 9.31            | 11.53           | 12.64           |
| <b>Capital Growth</b>                                   | (39.72)       | (3.94)       | 8.72            | 23.78           | 7.55            |
| <b>Average annualized return of the fund (CAGR) (%)</b> |               |              |                 |                 |                 |
| <b>One Year</b>   | (39.72)       | (3.94)       | 18.04           | 35.31           | 20.20           |
| <b>Two Year</b>   | (23.90)       | 2.36         | 20.89           | 21.81           | 54.36           |
| <b>Three Year</b>                                       | (14.07)       | 8.97         | 16.84           | 42.77           | 18.32           |

### Disclaimer

Past performance is not necessarily indicative of future performance and that unit price and investment return may go down, as well as up.

## PROFIT & LOSS ACCOUNT IN RELATION TO THE INVESTMENT ADVISER

For the Year Ended 30 June 2009

|   | 2009<br>Rupees      | 2008<br>Rupees     |
|---|---------------------|--------------------|
| <b>INCOME</b>   |                     |                    |
| Investment advisory fee   | 6,156,162           | 13,308,236         |
| Unrealized loss on remeasurement of investments at fair value<br>through profit or loss | (2,529,266)         | (797,128)          |
| Profit on bank deposits   | 5,456,390           | 48,613             |
|   | <b>9,083,286</b>    | <b>12,559,721</b>  |
| <b>EXPENSES</b>   |                     |                    |
| Operating expenses  | 12,020,216          | 13,827,533         |
| Finance cost  | 100,951             | 24,385             |
| <b>OPERATING LOSS</b>   | <b>(3,037,881)</b>  | <b>(1,292,197)</b> |
| Other charges   | (28,621)            | (4,185)            |
| Share of loss from associate  | (12,718,865)        | (4,158,989)        |
| <b>LOSS BEFORE TAXATION</b>   | <b>(15,785,367)</b> | <b>(5,455,371)</b> |
| Taxation  | (146,955)           | (85,709)           |
| Share of taxation from associate  | 60,586              | 108,599            |
| <b>LOSS AFTER TAXATION</b>  | <b>(15,698,998)</b> | <b>(5,478,261)</b> |
| <b>Earnings per share- Basic and Diluted</b>  | <b>(1.53)</b>       | <b>(1.43)</b>      |

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## PATTERN OF SHAREHOLDING

*As At 30 June 2009*

*INCORPORATION NUMBER: 0033995 of 08-01-1995*

| No. of Shareholders | Shareholdings |   |         | Shares Held       |
|---------------------|---------------|---|---------|-------------------|
|                     | From          |   | To      |                   |
| 1601                | 1             | - | 100     | 152,311           |
| 220                 | 101           | - | 500     | 76,637            |
| 92                  | 501           | - | 1000    | 86,618            |
| 129                 | 1001          | - | 5000    | 383,389           |
| 58                  | 5001          | - | 10000   | 486,238           |
| 17                  | 10001         | - | 15000   | 214,200           |
| 10                  | 15001         | - | 20000   | 185,367           |
| 7                   | 20001         | - | 25000   | 167,000           |
| 5                   | 25001         | - | 30000   | 142,300           |
| 5                   | 30001         | - | 35000   | 167,500           |
| 5                   | 35001         | - | 40000   | 191,500           |
| 4                   | 40001         | - | 45000   | 165,000           |
| 3                   | 45001         | - | 50000   | 150,000           |
| 2                   | 50001         | - | 55000   | 108,500           |
| 3                   | 55001         | - | 60000   | 175,000           |
| 1                   | 60001         | - | 65000   | 62,500            |
| 1                   | 65001         | - | 70000   | 70,000            |
| 1                   | 85001         | - | 90000   | 89,000            |
| 1                   | 90001         | - | 95000   | 93,000            |
| 1                   | 95001         | - | 100000  | 100,000           |
| 1                   | 135001        | - | 140000  | 139,500           |
| 1                   | 140001        | - | 145000  | 143,097           |
| 1                   | 145001        | - | 150000  | 147,403           |
| 1                   | 155001        | - | 160000  | 158,500           |
| 1                   | 180001        | - | 185000  | 183,600           |
| 1                   | 190001        | - | 195000  | 193,500           |
| 3                   | 195001        | - | 200000  | 599,500           |
| 1                   | 300001        | - | 305000  | 300,500           |
| 1                   | 345001        | - | 350000  | 347,000           |
| 1                   | 1495001       | - | 1500000 | 1,500,000         |
| 1                   | 1780001       | - | 1785000 | 1,784,590         |
| 2                   | 1895001       | - | 1900000 | 3,800,000         |
| 1                   | 2235001       | - | 2240000 | 2,239,040         |
| 1                   | 3735001       | - | 3740000 | 3,735,330         |
| 1                   | 5460001       | - | 5465000 | 5,462,380         |
| 1                   | 5995001       | - | 6000000 | 6,000,000         |
| <b>2185</b>         |               |   |         | <b>30,000,000</b> |

## PATTERN OF SHAREHOLDING

*As At 30 June 2009*

| Categories of shareholders  | Shares held | Percentage |
|---|-------------|------------|
| Directors, Chief Executive Officer,<br>and their spouse and minor children    | 60,500      | 0.202      |
| Associated Companies, undertakings<br>and related parties.                    | 6,962,380   | 23.208     |
| NIT and ICP   | 143,197     | 0.477      |
| Banks, Development Financial Institutions,<br>Non Banking financial Companies | 1,240       | 0.004      |
| Modarabas and Mutual Funds  | 234,503     | 0.782      |
| Insurance Companies   | -           | -          |
| Share holders holding 10% or more   | 10,697,710  | 35.659     |
| General Public  |             |            |
| a) Local  | 10,568,002  | 35.227     |
| b) Foreign  | 2,506,640   | 8.355      |
| Others  |             |            |
| - Joint Stock Companies   | 16,485,898  | 54.953     |
| - Foreign Companies   | -           | -          |

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



## PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS

### As At 30 June 2009

| <u>Shareholders' Category</u>  | <u>Number of Shares held</u> |
|--|------------------------------|
| <b>Associated Companies, undertaking and related parties</b>                       |                              |
| First Capital Investments Limited  | 6,962,380                    |
| <b>NIT and ICP</b>   |                              |
| Investment Corporation of Pakistan   | 100                          |
| National Bank of Pakistan  | 143,097                      |
| <b>Directors, CEO and their Spouse and Minor Children</b>                          |                              |
| Salmaan Taseer (Director)  | 56,000                       |
| Syed Kashan Kazmi (CEO/Director)   | -                            |
| Muhammad Naveed Tariq (Director)   | 1,000                        |
| Ahmed Bilal (Director)   | 1,000                        |
| Omer Subhan Salamat (Director)   | 1,000                        |
| Mahmood Ali Athar (Director)   | 500                          |
| Suhail Ahmad (Director)  | -                            |
| Kamran Hafeez ( <b>Resigned</b> )  | 500                          |
| Muhammad Musharaf Khan ( <b>Resigned</b> )   | 500                          |
| <b>Executives</b>  | -                            |
| <b>Public Sector Companies and Corporations</b>                                    | 16,485,898                   |
| <b>Banks Development Financial Institutions, Non-Banking Finance Institutions,</b> |                              |
| <b>Insurance Companies, Modarabas and Mutual Funds etc</b>                         | 235,743                      |
| <b>Shareholders holding 10% or more voting interest in the Company</b>             |                              |
| First Capital Investments Limited  | 6,962,380                    |
| First Capital Equities Limited   | 3,735,330                    |
| Al-Hoqani Securities & Investment Corporation                                      | 6,000,000                    |

\*Mr. Suhail Ahmad appointed as Director by the board of the fund subject to approval of SECP.



**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 October 31, 2009 at 11:00 a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2009

(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.

