



FIRST CAPITAL MUTUAL FUND LIMITED

**HALF YEARLY ACCOUNTS
(UN-AUDITED)
DECEMBER 31,2002**

Company Information

Board of Directors

Salmaan Taseer

Chairman

Mumtaz H Syed

Chief Executive

Lt.Gen. (R) Humayun Khan Bangash

Muhammad Ashraf Ali

Muhammad Shuaib Yousaf

Aamer Nasim Chishti

Usman Haider

Audit Committee

Muhammad Shuaib Yousaf (Chairman)

Lt.Gen. (R) Humayun Khan Bangash (Member)

Usman Haider (Member)

Company Secretary

Sardar Ali Wattoo

Investment Committee

Salmaan Taseer (Chairman)

Mumtaz H Syed (Member)

Sardar Ali Wattoo (Member)

Auditors

Taseer Hadi Khalid & Co.

Chartered Accountants

Legal Advisors

Imtiaz Siddiqui & Associates

Custodian

Crescent Investment Bank Limited

Registered Office / Head Office

103-C/II, Gulberg-III, Lahore-Pakistan

Tel: (042) 5757591-4

Fax: (042) 5757590, 5877920

Investment Advisers

First Capital Investments (Pvt.) Limited

103-C/II, Gulberg-III, Lahore

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited

Ground Floor, Sheikh Sultan Trust Building No.2

Beaumont Road, Karachi

Tel: (021) 5689021

Directors' Review

The Directors of First Capital Mutual Fund Limited are pleased to present the unaudited accounts of the Company for the six months ending December 31, 2002.

Company's Performance

The period under review witnessed a significant improvement in results with the Company securing an after-tax profit of Rs.15.86 million against a loss of Rs. 10.327 million in the six months ending December 31,2001. This is mainly on account of capital gains realized in the amount of Rs 13.4 million as compared to a realized capital loss of Rs. 0.8 million in the corresponding period last year. The Company has adopted a cautious approach and capitalized on the opportunities in the market. Accumulated losses of Rs. 66.381 million have been reduced to Rs. 48.451 million during the period.

During the quarter October-December 2002, the stock market remained bullish, recording an appreciation of 33.78%. The KSE-100 Index reached a record value of 2701, an increase of 682 points against its closing level of 2019 on September 30, 2002. The average daily turnover of the KSE also shot up to 170 million shares.

The above performance of the market is attributable to continuous decline in interest rates, de-dollarization of the economy, stable value of the Pak Rupee, higher forex reserves, improved corporate earnings by the companies listed on the KSE, and restoration of democracy in the country.

Financial institutions in both the public and private sector have opened their doors for investing in blue chip and high yield shares. This factor has played a great role in raising the KSE-100 to this high level. It further strengthened the basis of market against any sudden fall as a result of any unforeseen event.

Future outlook

Stock market investors are presently cautious because of the economic and political uncertainties in the region in view of the war-like situation in the Gulf. However, we expect that any drop in the market would be only temporary, as the war would not likely directly affect Pakistan. We remain hopeful for the long term, keeping in mind the constantly improving regulatory environment of the capital markets and the continuation of reforms by the government. While the economic fundamentals are improving and the low interest rate environment is prevailing, the stock market would continue to offer better returns to the investors.

For and behalf of the Board

Lahore
26-Feb-03

Mumtaz H Syed
Chief Executive

Review Report To The Members

We have reviewed the annexed balance sheet of **First Capital Mutual Fund Limited** ("the company") as at 31 December 2002 and the related profit and loss account, cash flow statement, distribution statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the six months then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The corresponding figures of the profit and loss account, cash flow statement, distribution statement and statement of changes in equity and notes forming part thereof have not been reviewed.

Islamabad
February 26, 2003

Taseer Hadi Khalid & Co.
Chartered Accountants

FIRST CAPITAL MUTUAL FUND LIMITED
BALANCE SHEET (Unaudited)
AS AT 31 DECEMBER 2002

	Note	31 December 2002 Rupees	30 June 2002 Rupees
ASSETS			
Marketable securities	4	72,592,873	92,826,352
Other Assets			
Accounts receivable		9,036,404	612,744
Security deposits		300,000	300,000
Bank balances		21,833,669	3,912,612
		31,170,073	4,825,356
Total Assets		103,762,946	97,651,708
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company	5	1,149,918	1,749,433
Accounts payable		493,327	9,838,322
Provision for taxation		571,244	375,050
		2,214,489	11,962,805
Contingencies and commitments	8	-	-
NET ASSETS		101,548,457	85,688,903
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		150,000,000	150,000,000
ACCUMULATED LOSS		(48,451,543)	(66,381,518)
UNREALISED APPRECIATION ON REMEASUREMENT OF MARKETABLE SECURITIES		-	2,070,421
		101,548,457	85,688,903

These accounts should be read in conjunction with the attached notes 1 to 10

These financial statements were authorised for issue in the Board of Directors meeting held on 26 February 2003.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

FIRST CAPITAL MUTUAL FUND LIMITED
PROFIT AND LOSS ACCOUNT (Unaudited)
FOR THE PERIOD ENDED 31 DECEMBER 2002

	Note	2002		2001	
		Quarter ended 31 December	Half year ended 31 December	Restated	
				Quarter ended 31 December	Half year ended 31 December
		Rupees	Rupees	Rupees	Rupees
INCOME					
SALE OF MARKETABLE SECURITIES		252,204,167	934,223,206	150,806,536	222,973,264
COST OF SALE OF MARKETABLE SECURITIES		243,072,246	920,824,391	150,477,875	223,781,502
CAPITAL GAIN/(LOSS) ON SALE OF MARKETABLE SECURITIES		9,131,921	13,398,815	328,661	(808,238)
GAIN/(LOSS) DUE TO CHANGE IN FAIR VALUE OF MARKETABLE SECURITIES	4	6,211,052	864,476	2,245,609	(12,742,658)
OTHER INCOME	6	1,565,132	3,917,740	4,172,388	4,564,803
		16,908,105	18,181,031	6,746,658	(8,986,093)
OPERATING EXPENSES					
Administrative expenses		577,480	986,471	115,852	202,963
Remuneration of investment adviser		586,073	1,015,485	418,579	793,760
Financial expenses		-	123,327	-	49,582
		1,163,553	2,125,283	534,431	1,046,305
PROFIT/(LOSS) BEFORE TAXATION		15,744,552	16,055,748	6,212,227	(10,032,398)
PROVISION FOR TAXATION		(78,564)	(196,194)	(217,784)	(237,405)
PROFIT/(LOSS) AFTER TAXATION		15,665,988	15,859,554	5,994,443	(10,269,803)
EARNING/(LOSS) PER SHARE- BASIC		1.04	1.06	0.40	(0.68)

These accounts should be read in conjunction with the attached notes 1 to 10

LAHORE

CHIEF EXECUTIVE

DIRECTOR

FIRST CAPITAL MUTUAL FUND LIMITED
CASH FLOW STATEMENT (Unaudited)
FOR THE PERIOD ENDED 31 DECEMBER 2002

	31 December 2002 Rupees	31 December 2001 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	16,055,748	(10,032,398)
Adjustment for:		
(Gain)/loss due to change in value of marketable securities	(864,476)	12,742,658
Operating profit before working capital changes	15,191,272	2,710,260
(Increase)/decrease in:		
Marketable securities	21,097,955	1,053,777
Dividend receivable	(763,470)	(3,257,716)
Accounts receivable	(7,660,190)	(3,982,353)
	12,674,295	(6,186,292)
Increase/(decrease) in:		
Due to investment adviser	(599,515)	(959,490)
Accounts payable	(9,344,956)	(81,763)
	(9,944,471)	(1,041,253)
Net cash generated from/(used in) operating activities	17,921,096	(4,517,285)
CASH FLOW FROM FINANCING ACTIVITIES		
Taxes paid	-	(166,884)
Dividend paid	(39)	(274)
NET CASH FLOW FROM FINANCING ACTIVITIES	(39)	(167,158)
NET INCREASE/(DECREASE) IN BANK BALANCES	17,921,057	(4,684,443)
BANK BALANCES AT THE BEGINNING OF THE PERIOD	3,912,612	6,591,617
BANK BALANCES AT THE END OF THE PERIOD	21,833,669	1,907,174

These accounts should be read in conjunction with the attached notes 1 to 10

LAHORE

CHIEF EXECUTIVE

DIRECTOR

FIRST CAPITAL MUTUAL FUND LIMITED
DISTRIBUTION STATEMENT (Unaudited)
FOR THE PERIOD ENDED DECEMBER 31, 2002

	2002 Rupees	2001 Rupees
Accumulated loss brought forward as of July 1,	(66,381,518)	(62,337,228)
Effect of change in accounting policy (note 3.1)	2,070,421	-
Profit/(loss) reported for half year	15,859,554 17,929,975	(10,269,803) (10,269,803)
Accumulated Loss Carried Forward	<u>(48,451,543)</u>	<u>(72,607,031)</u>

These accounts should be read in conjunction with the attached notes 1 to 10

LAHORE

CHIEF EXECUTIVE

DIRECTOR

FIRST CAPITAL MUTUAL FUND LIMITED
STATEMENT OF CHANGES IN EQUITY(Unaudited)
FOR THE PERIOD ENDED DECEMBER 31, 2002

	Share capital	Surplus on revaluation of marketable securities	Accumulated loss	Total
	Rupees	Rupees	Rupees	Rupees
Balance as on 30 June 2001	150,000,000	-	(62,337,228)	87,662,772
Loss reported for half year ended 31 December 2001		-	(8,286,733)	(8,286,733)
Effect of change in accounting policy as applied in 30 June 2002 accounts		1,665,690	(1,983,070)	(317,380)
Restated loss for the half year ended 31 December 2001	-	1,665,690	(10,269,803)	(8,604,113)
Balance as on 31 December 2001	<u>150,000,000</u>	<u>1,665,690</u>	<u>(72,607,031)</u>	<u>79,058,659</u>
Balance as at 1 July 2002	150,000,000	2,070,421	(66,381,518)	85,688,903
Effect of change in accounting Policy (note 3.1)	-	(2,070,421)	2,070,421	-
Restated balance as at 1 July 2002	<u>150,000,000</u>	<u>-</u>	<u>(64,311,097)</u>	<u>85,688,903</u>
Loss reported for quarter ended 30 September 2002	-	-	(2,475,700)	(2,475,700)
Unrealised gain as on 30 September 2002	-	-	2,669,266	2,669,266
Restated profit for the quarter ended 30 September 2002	-	-	193,566	193,566
Profit for the quarter ended 31 December 2002	-	-	15,665,988	15,665,988
Balance as on 31 December 2002	<u>150,000,000</u>	<u>-</u>	<u>(48,451,543)</u>	<u>101,548,457</u>

These accounts should be read in conjunction with the attached notes 1 to 10

LAHORE

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS (Unaudited)
FOR THE PERIOD ENDED 31ST DECEMBER, 2002

1. First Capital Mutual Fund Limited (the company) was incorporated on January 8, 1995 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on March 14, 1995. It has been registered as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971. The company is listed on the Karachi and Lahore Stock Exchanges. The object of the company is to carry on the business of a close-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges.

The company has entered into an agreement with an associated company, First Capital Investments (Private) Limited to act as its "Investment Adviser". Crescent Investment Bank Limited is the approved custodian of the company. The company is domiciled in Lahore, Pakistan.

2. These accounts are unaudited and are reviewed by the external auditors as required by the Securities & Exchange Commission of Pakistan's regulations and are being submitted to the shareholders as per the section 245 of the Companies Ordinance, 1984
3. These accounts have been prepared in accordance with the requirements of IAS-34 "Interim Financial Reporting" and the accounting policies adopted for the preparation of these half yearly accounts are the same as those applied in the preparation of the preceding annual accounts of the company, except for marketable securities as stated in note 3.1 below.

3.1

The company recognizes its "held for trading" investments, initially at cost and subsequently remeasures the same to fair value, up to June 30, 2002, net unrealized gains so determined on an aggregate portfolio basis, were taken to equity instead of profit and loss account whereas net unrealized losses on an aggregate portfolio basis were charged to the profit and loss account, in accordance with the relaxation given by the Securities and Exchange Commission of Pakistan (SECP) vide its letter, No. SC/MF/ED/239/2002, dated June 19, 2002 and SC/MF/JD/191/2002, dated September 12, 2002. The said relaxation was valid till suitable amendments were made in the Income Tax Ordinance, 2001, which were subsequently made under clause (99) of Part I of the Second Schedule to the said Ordinance through S.R.O 728(1)/2002 dated October 23, 2002.

Accordingly, SECP vide its letter No. SC/MF/ED/293/2002 dated December 02, 2002 withdrew the above relaxation and required mutual funds to fully comply with all the requirements of International Accounting Standard (IAS)-39. Accordingly, unrealized gains and unrealized losses are now recognized in profit and loss account on aggregate portfolio basis whereas opening unrealized gain on investments has been transferred to accumulated loss at the beginning of the year.

Had this relaxation not been withdrawn, the current profit for the second quarter and half year ended 31st December 2002 would have been lower by Rs. 3.65 million and Rs. 5.71 million respectively.

4 MARKETABLE SECURITIES

NAME OF COMPANY	BALANCE AS AT DECEMBER 31,2002			PERCENTAGE OF INVESTMENT IN RELATION TO	
	No. of shares/certificates	At Book Value	Market Value	Own net assets *	Paid-up capital (Face Value)
		RUPEES			
I.C.P S.E.M.F	222,500	7,669,998	7,887,625	0.10	0.91
First Capital Securities Corp. Ltd.	300	1,949	2,265	0.00	0.00
National Bank of Pakistan	200,000	5,496,620	5,675,000	0.07	0.15
The Bank of Punjab	50,000	803,453	791,250	0.01	0.08
International General Insurance Co. of Pakistan Ltd.	20,194	1,465,074	1,885,109	0.02	1.51
Shaheen Insurance Co. Ltd	542,987	2,846,446	3,257,922	0.04	3.56
Adamjee Insurance Co. Ltd.	12	632	743	0.00	0.00
Nishat Mills Ltd.	900	17,000	16,628	0.00	0.00
Maple Leaf Cement Factory Ltd.	95,000	834,101	793,250	0.01	0.05
Pakland Cement Ltd.	41,512	211,711	272,941	0.00	0.03
Hub Power Co. Ltd.	189,000	7,214,300	7,550,550	0.09	0.06
Pakistan State Oil Co. Ltd.	12,500	2,453,855	2,668,750	0.03	0.17
Pak Oil Fields Ltd.	13,700	2,285,350	2,250,225	0.03	0.28
Sui Northern Gas Pipelines Ltd.	75,000	1,739,475	1,867,500	0.02	0.03
Shell Pakistan Ltd.	7,000	2,424,338	2,470,125	0.03	0.69
Sazgar Engineering Works Ltd	501,500	10,431,200	3,761,250	0.13	14.56
Dewan Farooq Motors Ltd.	25,000	326,175	301,875	0.00	0.04
Honda Atlas Cars Ltd.	15,000	749,900	686,250	0.01	0.37
Pakistan Telecommunication Co. Ltc	80,200	2,035,259	2,113,270	0.03	0.01
WorldCALL Communications Ltd.	1,174,700	14,933,819	16,827,578	0.19	2.99
Fauji Fertilizer Co. Ltd.	5,000	369,435	368,625	0.00	0.01
FFC-Jordan Fertilizer Co. Ltd.	287,500	2,666,724	2,752,813	0.03	0.08
Wazir Ali Industries Ltd	214,513	1,952,068	3,635,995	0.02	3.76
Unilever Pakistan Ltd.	476	426,972	574,770	0.01	0.06
(Formerly Lever Brothers Pakistan Ltd.)					
Nestle Milkpak Ltd.	78	14,818	17,043	0.00	0.00
Packages Ltd.	178	13,786	15,753	0.00	0.00
Treet Corporation Ltd.	8,477	510,739	1,135,918	0.01	1.22
Zulfiqar Industries Ltd.	100,000	1,450,000	2,700,000	0.02	3.63
Diamond Industries Ltd.	43,500	282,750	221,850	0.00	0.31
Bolan Casting Limited	2,000	100,450	90,000	0.00	0.18
Total		71,728,397	72,592,873		
Net gain on remeasurement of investments		864,476	-		
		72,592,873	72,592,873		

* Net Assets have been considered as defined under Investment Companies and Investment Advisor's Rules, 1971.

**5. DUE TO INVESTMENT ADVISER - FIRST
CAPITAL INVESTMENTS (PRIVATE) LIMITED - AN ASSOCIATED COMPANY**

Two percent of net assets	5.1	<u><u>1,015,485</u></u>
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- 5.1** The remuneration of the Investment Adviser, at two percent of the net assets of the company, as at the end of the period in terms of Clause II (a) of the Investment Companies and Investment Advisers' Rules, 1971 has been determined as follows :

ASSETS

Marketable securities	72,592,873
Accounts receivable	9,036,404
Security deposit	300,000
Cash and bank balances	<u>21,833,669</u>
	<u>103,762,946</u>

LIABILITIES

Due to Investment Adviser	1,149,918
Accounts payable	493,327
Provision for taxation	<u>571,244</u>
	<u>2,214,489</u>
	<u>101,548,457</u>

NET ASSETS

Remuneration @ 2% of net assets (for six months)	<u><u>1,015,485</u></u>
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	31 December 2002 Rupees	31 December 2001 Rupees
6. OTHER INCOME		
Dividend income	3,923,870	4,502,487
Mark-up on bank accounts	17,107	19,131
Miscellaneous income	(23,237)	43,185
	<u>3,917,740</u>	<u>4,564,803</u>

7. TAXATION

The company's tax assessments have been finalized upto the DCIT level upto and including the assessment year 2001-2002. The DCIT has raised demand aggregating Rs.793,602/- for the assessment years 1998-99 to 2001-02, which are being contested at the appellate level.

8. CONTINGENCIES AND COMMITMENTS

There are no contingencies for which the company may be liable

	31 December 2002 Rupees	31 December 2001 Rupees
9. TRANSACTIONS WITH ASSOCIATED COMPANY		
Investment advisory fee	1,015,485	793,760

10. GENERAL

10.1 Figures have been rounded off to the nearest rupee.

10.2 As explained in note 3.1, in the accounts for the year ended 30 June 2002 investments were valued as per SECP letters nos. SC/MF/ED/239/2002, dated 19 June, 2002 and SC/MF/JD/191/2002, dated 12 September, 2002, which were not applicable for the period ended 31 December, 2001. The corresponding figures of the profit and loss account, cash flow statement, distribution statement and statement of changes in equity have been restated for having uniform accounting policies throughout the year ended 30 June 2002.

LAHORE

CHIEF EXECUTIVE

DIRECTOR