

*First Capital Mutual Fund Limited*

**HALF YEARLY ACCOUNTS  
(UN-AUDITED)**

**DECEMBER 31, 2003**

# First Capital Mutual Fund Limited

## Company Information

### **Board of Directors**

Salmaan Taseer

#### **Chairman**

Khurram Hanif

#### **Chief Executive Officer**

Lt. Gen. (R) Humayun Khan Bangash

Muhammad Ashraf Ali

Muhammad Shuaib Yousaf

Muhammad Naveed Tariq

Syed Kashan Kazmi

#### **Chief Financial Officer**

Syed Kashan Kazmi

### **Audit Committee**

Muhammad Shuaib Yousaf (Chairman)

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

Muhammad Naveed Tariq (Member)

#### **Company Secretary**

Ahmad Bilal

### **Investment Committee**

Salmaan Taseer (Chairman)

Khurram Hanif (Member)

Iqbal Latif (Member)

Syed Kashan Kazmi (Member)

#### **Auditors**

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

### **Legal Adviser**

Rehman Saleem & Tarar

Advocates

#### **Custodian**

Mashreq Bank Pakistan Limited

(formerly Crescent Investment Bank Ltd.)

### **Registered Office / Head Office**

103-C/II, Gulberg-III

Lahore, Pakistan

☎ (042) 5757591-4

Fax: (042) 5757590, 5877920

#### **Investment Advisers**

First Capital Investments 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

☎ (021) 5689021

# *First Capital Mutual Fund Limited*

## **DIRECTORS' REVIEW**

On behalf of the Board of Directors of the Company, I am pleased to present the financial statements of the Company for the 2<sup>nd</sup> quarter and half year ending December 31, 2003 along with a limited review by the Auditors.

## **Company's Performance**

The period under review saw the Company posting an after-tax profit of Rs. 6.53 million as compared to an after-tax profit of Rs. 15.86 million in the corresponding period last year. This was mainly due to a capital loss of Rs. 17.76 million in the second quarter as the management undertook a portfolio rebalancing exercise to include high yielding and fundamentally strong scrips in the fund. Dividend income reduced due to change in yield factor, as compared to last year.

In the period under review, the stock market recovered gradually from the technical correction experienced in September and growth was in the tune of 10%. Net asset value of the fund appreciated by 4.8% increasing from Rs. 99 million to Rs. 104 million at the end of period.

## **Future Outlook**

The third quarter of the current fiscal year has started with a positive note with the KSE-100 index crossing its all time highest and the market looking stable at this stage. The market capitalization of KSE has crossed the US\$ 20 billion benchmark, which is considered as the minimum qualification for being including in the emerging market index.

Half-yearly results of most of the listed companies are in-line with market expectations, especially PTCL and banking sector companies showing extraordinary improvement. Keeping in view the increased momentum in privatization through stock exchanges, public interest in IPO's of public and private sector companies and more mutual funds in the pipeline, we remain hopeful for a good performance in the future. The management will continue to strive for securing better returns for its shareholders.

For and on behalf of the Board

**February 27, 2004**  
Lahore

**Khurrum Hanif**  
Chief Executive

# *First Capital Mutual Fund Limited*

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed Balance Sheet of **First Capital Mutual Fund Limited** as at **December 31, 2003** and the related Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Distribution Statement together with the notes forming part thereof (here in after referred to as the "financial statements") for the half year 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. The figures of the profit and loss account for the quarters ended December 31, 2002 and 2003 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2003.

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 respect in accordance with approved accounting standards as applicable in Pakistan.

**February 27, 2004**  
Lahore

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

# First Capital Mutual Fund Limited

## Balance Sheet

as at December 31, 2003

	Note	(Un-Audited) December 31, 2003 Rupees	(Audited) June 30, 2003 Rupees
<b>ASSETS</b>			
<b>Marketable Securities</b>	4	100,230,611	102,098,987
<b>Other Assets</b>			
Dividend and other receivables		1,405,136	16,015,722
Security deposits		150,000	150,000
Bank balances		9,704,641	19,752,436
		11,259,777	35,918,158
<b>Total Assets</b>		<b>111,490,388</b>	<b>138,017,145</b>
<b>CURRENT LIABILITIES</b>			
Due to Investment Adviser - an associated company		1,026,985	2,038,386
Accounts Payable		6,084,827	38,228,888
Provision for taxation		477,329	375,050
		7,589,141	40,642,324
<b>NET ASSETS</b>		<b>103,901,247</b>	<b>97,374,821</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Authorised			
35,000,000 (June 30, 2003: 20,000,000)			
Ordinary shares of Rs. 10 each		350,000,000	200,000,000
Issued, subscribed and paid up capital		150,000,000	150,000,000
Accumulated loss		(46,098,753)	(52,625,179)
		<b>103,901,247</b>	<b>97,374,821</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-	-

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

Chief Executive

Director

# First Capital Mutual Fund Limited

## Profit & Loss Account (Un-audited) for the half year ended December 31, 2003

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	NOTED December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
	Rupees	Rupees	Rupees	Rupees
<b>INVESTMENT INCOME</b>				
Gain from transactions in marketable securities	3,720,498	13,398,815	(17,758,142)	9,131,921
Dividend income	2,045,582	3,923,870	1,581,825	1,571,262
Other income	45,679	(6,130)	34,100	(6,130)
	<u>5,811,759</u>	<u>17,316,555</u>	<u>(16,142,217)</u>	<u>10,697,053</u>
Unrealized gain on investment in marketable securities	3,915,088	864,476	22,153,558	6,211,052
	<u>9,726,847</u>	<u>18,181,031</u>	<u>6,011,341</u>	<u>16,908,105</u>
<b>OPERATING EXPENSES</b>				
Administrative expenses	2,071,157	986,471	749,657	577,480
Remuneration of investment adviser	1,026,985	1,015,485	465,928	586,073
Financial expenses	-	123,327	-	-
	<u>3,098,142</u>	<u>2,125,283</u>	<u>1,215,585</u>	<u>1,163,553</u>
PROFIT BEFORE TAXATION	6,628,705	16,055,748	4,795,756	15,744,552
PROVISION FOR TAXATION	(102,279)	(196,194)	(79,033)	(78,564)
PROFIT FOR THE HALF YEAR	<u>6,526,426</u>	<u>15,859,554</u>	<u>4,716,723</u>	<u>15,665,988</u>
EARNINGS PER SHARE- BASIC	<u>0.44</u>	<u>1.06</u>	<u>0.31</u>	<u>1.04</u>

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

Chief Executive

Director

# First Capital Mutual Fund Limited

## Cash Flow Statement (Un-audited) for the half year ended December 31, 2003

	SIX MONTHS ENDED	
	December 31, 2003	December 31, 2002
	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,628,705	16,055,748
Adjustment for:		
(Gain) due to change in fair value of marketable securities	(3,915,089)	(864,476)
	(3,915,089)	(864,476)
Operating profit before working capital changes	2,713,616	15,191,272
(Increase)/decrease in assets		
Marketable securities	5,783,465	21,097,955
Security deposits	-	-
Accounts receivable	14,649,793	(8,423,660)
	20,433,258	12,674,295
Increase/(decrease) in current liabilities		
Due to investment adviser	(1,011,400)	(599,515)
Accounts payable	4,390,404	(9,344,956)
	3,379,004	(9,944,471)
<b>Net cash generated from operating activities</b>	<b>26,525,877</b>	<b>17,921,096</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(36,533,103)	(39)
Tax paid	(40,569)	-
<b>Net cash used in financing activities</b>	<b>(36,573,672)</b>	<b>(39)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,047,795)</b>	<b>17,921,057</b>
Cash and Cash Equivalents at the beginning of the period	19,752,436	3,912,612
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>A 9,704,641</b>	<b>21,833,669</b>

A. Cash and Cash Equivalent included in the cash flow statement comprise only cash and bank balances.

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

**Chief Executive**

**Director**

*First Capital Mutual Fund Limited*

**Distribution Statement** (Un-audited)  
for the half year ended December 31, 2003

	<b>SIX MONTHS ENDED</b>	
	<b>December 31, 2003</b>	<b>December 31, 2002</b>
	<b>Rupees</b>	<b>Rupees</b>
Accumulated loss brought forward as of July 01,	(52,625,179)	(66,381,518)
Effect of change in accounting policy	-	2,070,421
Profit for the half year	6,526,426	15,859,554
	6,526,426	17,929,975
Accumulated loss carried forward	<u>(46,098,753)</u>	<u>(48,451,543)</u>

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

# First Capital Mutual Fund Limited

## Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2003

	Share capital	Accumulated loss	Total
	Rupees	Rupees	Rupees
<b>Balance as on June 30, 2002 (Restated)</b>	150,000,000	(64,311,097)	85,688,903
Loss reported for the quarter ended September 30, 2002	-	(2,475,700)	(2,475,700)
Unrealized gain as on September 30, 2002	-	2,669,266	2,669,266
Restated profit for the quarter ended September 30, 2002	-	193,566	193,566
Profit for the quarter ended December 31, 2002	-	15,665,988	15,665,988
<b>Balance as on December 31, 2002</b>	<u>150,000,000</u>	<u>(48,451,543)</u>	<u>101,548,457</u>
<b>Balance as on June 30, 2003</b>	150,000,000	(52,625,179)	97,374,821
Profit for the half year ended December 31, 2003	-	6,526,426	6,526,426
<b>Balance as on December 31, 2003</b>	<u>-</u>	<u>(46,098,753)</u>	<u>103,901,247</u>

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

Chief Executive

Director

# *First Capital Mutual Fund Limited*

## **Notes to the Accounts (Un-audited)** for the half year ended December 31, 2003

### **1. THE COMPANY AND ITS OPERATIONS**

First Capital Mutual Fund Limited (the company) was incorporated on January 08, 1995 as a public limited company under the Companies Ordinance 1984 and commenced its operations on March 14, 1995. The Company is operating under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 with the objective to carry on the business of a "Closed-End" mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges. The company is listed on the Karachi and Lahore Stock Exchanges. The company is domiciled in Lahore, Pakistan and has its registered office in Lahore.

### **2. BASIS OF PREPARATION**

These financial statements are un-audited but subject to limited review by auditors as required by clause (xxi) of Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".

### **3. ACCOUNTING POLICIES**

- 3.1 The accounting policies adopted and applied for the preparation of these half yearly financial statements are consistent with those adopted and applied in preparation of annual financial statements of the company for the year ended June 30, 2003.
- 3.2 The Company continues to enter into transactions with related parties at prices determined on an arm's length basis using the comparable uncontrolled price method.

# First Capital Mutual Fund Limited

## 4. MARKETABLE SECURITIES Held for Trading

NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT DECEMBER 31, 2003			PERCENTAGE IN RELATION TO	
	Opening	Purchase	Bonus/Right	Sales	Cost	Carrying Amount	Market Value	Total Investment	Market Value
These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.									
<b>Closed-End Mutual Fund</b>									
Pakistan Premier Fund Ltd. I.C.P. S.E.M.F	-	10,000 227,500	51,250	10,000 152,000	126,750	6,377,376	6,071,325	7.25	6.06
<b>Mudarabas</b>									
First Punjab Mudaraba	-	60,500	-	60,500	-	-	-	-	-
First Prudential Mudaraba	-	100,000	-	100,000	-	-	-	-	-
<b>Leasing Companies</b>									
National Development Leasing Corp. Ltd	100,000	325,000	-	425,000	-	-	-	-	-
Askari Leasing Ltd	25,000	-	-	25,000	-	-	-	-	-
<b>Investment Banks/Investment Companies</b>									
First Capital Equities Ltd-Associated Company	200,000	16,500	200,000	77,500	400,000	5,576,000	20,960,000	6.34	20.91
First Capital Securities Corp. Ltd-Associated Company	52,500	14,500	9,500	20,500	-	-	-	-	-
Atlas Investment Bank	30,000	100,000	2,750	140,750	-	-	3,176,400	6.07	3.17
P.I.C. Sandique & Co. Ltd	40,000	56,500	22,300	24,000	54,800	5,337,158	1,102,500	1.68	1.10
Jehangir Siddiqui Investment Bank Ltd	-	53,500	-	31,000	22,500	1,475,456	-	-	-
Security Investment Bank Ltd	-	5,000	-	5,000	-	-	-	-	-
<b>Commercial Banks</b>									
Muslim Bank Ltd	-	10,000	-	222,500	10,000	477,400	515,000	0.54	0.51
Muslim Commercial Bank Ltd	47,500	175,000	-	310,050	-	-	-	-	-
National Bank of Pakistan	225,050	1,085,000	-	1,310,050	60,000	2,223,510	2,160,000	2.53	2.16
Faysal Bank Ltd	350,000	350,000	-	109,000	33,000	337,319	412,500	0.38	0.41
Saudi Pak Commercial Bank Ltd	-	32,000	32,000	-	-	-	-	-	-
Wharton Bank Ltd	-	145,500	-	145,500	-	-	-	-	-
PICIC Commercial Bank Ltd	-	147,500	-	147,500	-	-	-	-	-
<b>Insurance Companies</b>									
International General Insurance	78	-	-	-	78	5,456	11,700	0.01	0.02
S.O. of Pakistan Ltd. Co. Ltd. Associated Company	772,987	14,500	-	1,500	785,987	6,844,084	20,040,859	7.04	20.00
Commercial Union Life Assurance Co. Ltd.	55,000	67,500	-	76,500	46,000	871,321	922,300	0.99	0.92
Adamjee Insurance Co. Ltd.	-	70,000	-	70,000	-	-	-	-	-
<b>Textile Weaving Mills Ltd</b>									
Khinore Textile Mills	-	130,500	-	215,000	130,500	1,512,130	978,750	1.72	0.98
<b>Textile Composite</b>									
Nishat Mills Ltd	50,000	485,500	-	481,500	4,000	147,078	129,000	0.17	0.13
Arif Mills Ltd	10,000	-	-	50,000	-	-	-	-	-
Sunay Cotton Mills Ltd	-	50,000	-	-	-	-	-	-	-
<b>Cement</b>									
Pioneer Cement Ltd	150,000	200,000	-	200,000	25,000	839,500	616,250	0.73	0.61
Lucky Cement Co. Ltd	-	1,284,000	-	1,419,000	650,000	4,831,320	3,477,500	5.49	4.47
D.G. Khan Cement	50,000	1,250,000	-	600,000	610,000	-	-	-	-
Fauji Cement Ltd	-	580,000	-	580,000	-	-	-	-	-
Maple Leaf Cement	-	500,000	-	1,587,500	-	-	-	-	-
Pakland Cement Ltd	41,512	1,367,500	-	-	41,512	228,316	586,639	0.26	0.57
<b>Synthetic and Rayon</b>									
Dewan Salman Fibre	-	615,000	-	615,000	-	-	-	-	-
Ibrahim Fibre	-	10,000	-	10,000	-	-	-	-	-



# First Capital Mutual Fund Limited

## Notes to the Accounts (Un-audited) for the half year ended December 31, 2003

### 5 CONTINGENCIES AND COMMITMENTS

#### Contingencies:

The company's tax assessments have been finalized up to the DCIT level up to and including the assessment year 2001-2002. The DCIT has raised demand aggregating Rs- 820,725/- for the assessment years 1998-1999 to 2002-2003, which are being contested at the appellate level.

Provision for additional tax liability has not been made in these financial statements, as the company is hopeful for the favourable out come of the appeals

#### Commitments:

Nil (June 30, 2003: nil)

<b>SIX MONTHS ENDED</b>	
<b>December 31, 2003</b>	<b>December 31, 2002</b>
<b>Rupees</b>	<b>Rupees</b>
<b>6. REMUNERATION OF INVESTMENT ADVISOR</b>	<b>1,015,285</b>
<b>1,026,985</b>	<b>1,015,285</b>

The remuneration of the Investment Adviser has been calculated as required under rule 53 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which requires that investment adviser is entitled to a remuneration @ 2% of the average annual net assets of the company. (2002: @ 2% of the net assets of the company at the end of its year of accounts in terms of rule 11A of the Investment Companies and Investment Advisor's Rules, 1971).

### 7. TRANSACTIONS WITH RELATED PARTIES

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

#### Transactions of shares

- Purchases	<b>25,674,715</b>	24,007,700
- Sales	<b>55,586,640</b>	41,378,865
-Commission paid	<b>173,308</b>	164,250
<b>Advisory fee</b>	<b>1,026,985</b>	1,905,571

### 8 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on February 27, 2004 by the Board of Directors of the company.

### 9 GENERAL

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

Chief Executive

Director