

*First Capital Mutual Fund Limited*



*First Capital Mutual Fund Limited*



**CONDENSED INTERIM FINANCIAL STATEMENT  
FOR THE HALF YEAR ENDED**

**DECEMBER 31, 2006  
(Un-Audited)**



## COMPANY INFORMATION

|                                      |  |
|--------------------------------------|--|
| Board of Directors                   | Salmaan Taseer (Chairman)<br>Muhammad Faisal Potrik (CEO)<br>Sardar Ali Wattoo<br>Khawaja Khalil Shah<br>Muhammad Naveed Tariq<br>Mahmood Ali Athar<br>Ahmad Bilal |
| Chief Financial Officer              | Syed Kashan Kazmi  |
| Audit Committee                      | Salmaan Taseer<br>Muhammad Naveed Tariq<br>Ahmad Bilal   |
| Company Secretary                    | Amir Mahmood   |
| Investment Committee                 | Muhammad Faisal Potrik<br>Syed Kashan Kazmi<br>Muhammad Asim   |
| Auditors                             | KPMG Taseer Hadi & Co.<br>Chartered Accountants  |
| Legal Adviser                        | Rehman Saleem & Tarar<br>Advocates   |
| Custodian                            | Crescent Commercial Bank Limited   |
| 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>☎ (042) 5757591-4<br>Fax: (042) 5757590, 5877920  |
| Registrar and Shares Transfer Office | THK Associates (Pvt.) Limited<br>Ground Floor, State Life Building No.3,<br>Dr. Ziauddin Ahmed Road, Karachi<br>☎ (021) 5689021, 111-000-322                       |





## DIRECTORS' REVIEW

Directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the half yearly financial statements for the period ended December 31, 2006.

### Performance Review

We have great pleasure in informing our shareholders, that your fund has been assigned '5-Star' rating by PACRA for the performance in FY06. Your fund is the only closed-end equity fund assigned with superior 5-Star Rating by PACRA. The rating reflects superior risk-adjusted return among the peer funds in closed end equity category.

### Operating Results

The operating results for the first half of FY07 are summarized as follows:

|  | December 31,<br>2006<br>Rs. | December 31,<br>2005<br>Rs. |
|--|-----------------------------|-----------------------------|
| Capital gain on sale of Listed securities                        | 3,066,267                   | 14,179,795                  |
| Dividend Income  | 6,701,606                   | 3,815,250                   |
| Other Income   | 956,011                     | 27,055                      |
| Unrealized gain due to change in fair value of listed securities | (3,641,492)                 | 25,144,879                  |
| Operating Expenses   | 5,993,699                   | 2,405,910                   |
| Profit after Taxation  | 753,613                     | 40,560,837                  |
| Earnings per Share   | 0.03*                       | 2.70                        |
| Net Asset Value  | 296,634,391                 | 176,042,778                 |
| Net Asset Value (Per Share)                                      | 9.89**                      | 11.74                       |

\*Adjusted for rights

\*\*Adjusted for rights & dividend

Calendar Year 2006 remained a quiet year at KSE subsequent to consecutive star performances in the region over the period of last 34 years. Net Assets Value as on December 31, 2006 incorporates the impact of 100% rights issue and a 10% cash dividend declared during the period. In the first half FY-07, Company earned an after tax profit of Rs0.76 million (EPS: Rs 0.03) as compared to Rs 40.56 million (EPS: Rs 2.70) in the same period last year. Dividend income witnessed healthy growth on account of better payouts in September quarter. Realized Gains have declined mainly because of prevailing lower price levels that allowed little opportunity for profit taking. Similarly, Unrealized Gains have also declined significantly and depict the overall bearish spell at KSE. Increase in operating expenses is attributable to costs related to issuance of right shares & proportionate increase in expenses in relation to the fund size. In the first half FY07, your fund has marginally outperformed the KSE 100 Index by 0.1%. Effects of rights issue have been slickly absorbed and your fund is



now positioned to capitalize on the targeted benefits of increased fund size.

On absolute basis, performance in the recent quarter relative to first quarter FY07 depicts negative growth of 1.2% where NAV per share has declined from PRs. 10 (adjusted for dividend) to PRs. 9.89. However, on relative basis, an out performance by a wide margin of 3.3% is highly encouraging, given the fact that the benchmark, KSE-100 has declined by 4.5% from 10,513 as on Sep 29, 06 to 10,041 at period end. In the second quarter, the Company has incurred a loss of 3.5 million as against a net profit of 4.25 million in the first quarter. This significant decline in PAT is mainly caused by an unrealized loss of PRs 9.2 million as against an unrealized profit of 5.6 million in the earlier quarter. Contrary to an unrealized loss, realized gains, dividend income & other income have indicated a handsome growth of more than 175%, while operating expenses have also declined by more than 53%, due to non-recurring expenses arising from rights issue charged in the first quarter.

### Market Outlook & Future Strategy

An unrealized loss of PRs. 9.2 million in the second quarter reflects our belief in the market potential to stage a recovery and overcome the temporary factors aggravating the market decline. Various exogenous factors contributed in this decline, including overwhelming concerns on up-coming elections, currency depreciation, forensic investigations, risk management system & systematic improvements in market mechanism. Pakistan Equity markets are still among the most attractive in the region & valuations are compelling enough to attract foreign investors interest at local bourse.

Our consistent strategy of 'value investment' paid-off well and KSE-100 has risen by about 15.6% from year-end to Feb 23-06. NAV of your fund has increased by 17% from 9.89 to 11.59 over the period, thus outperforming the benchmark by 1.5%.

Market has recovered at a stronger pace than anticipated and this comeback is led by various factors including increased foreign participation, deferment of Capital Gains Tax and stamp duty, smooth implementation of risk management system (client level netting, a part of the new risk management system has been re-scheduled for implementation in Mar-07), development on privatization front & most importantly star performance of banking sector on the back of better results expectations. We expect to market to continue its positive direction over the long term while it may witness technical corrections & higher sensitivity towards results announcements. Banking sector offers great potential on account of strong growth, record high levels of banking spreads, issuance of GDR's and the fame of potential mergers and acquisition. Int'l oil prices saw a decline at a much higher pace that was anticipated by local & int'l analysts. E&P stocks yet offer volumetric growth and potential for new discoveries that qualifies as an attractive investment. We also expect strong performance of Fertilizers, Autos, Telecoms and Power Sectors. Performance of Cement sector over long run shall remain highly dependent on the ability to efficiently shuffle excess supply to profitable markets through exports, while stabilizing reasonable margins in domestic market.

We consider deferment of Capital Gains Tax as a positive step while smooth implementation of Risk Management System has resulted structural improvements in the market that shall bode well for market stability over the long run.

Subsequent to the period-end, Mr. Faisal Potrik has resigned from the office of Chief Executive and Director of the company respectively. Mr. Salman Taseer has been appointed as CEO and Mr. Musharaf Khan has been appointed as Director in place of Mr. Faisal Potrik subject to approval from SECP.

### Acknowledgement

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

For and on behalf of the Board

Lahore  
February 26, 2007

Salmaan Taseer  
Chairman

Muhammad Faisal Potrik  
Chief Executive



**REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **First Capital Mutual Fund Limited** ("the Fund") as at 31 December 2006, and the related profit and loss account, cash flow 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 period then ended. These financial statements are the responsibility of the Fund'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 Review Engagements 2400. 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 the 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 figures of condensed profit and loss account for the three months ended 31 December 2006 were not subject to review, as we were required to review on the cumulative figures for the six months period ended 31 December 2006.

Another firm of auditors have audited and reviewed the financial statements of the Fund for the year ended 30 June 2006 and for the six months period ended 31 December 2005 respectively, whose audit report dated 07 October 2006 and the review report dated 25 February 2006, were not modified.

Place : Lahore  
Date : February 26, 2007

**KPMG TASEER HADI & CO.**  
**CHARTERED ACCOUNTANTS**

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**CONDENSED BALANCE SHEET**  
AS AT DECEMBER 31, 2006

|   |      | (Un-Audited)<br>December 31,<br>2006 | (Audited)<br>June 30,<br>2006 |
|---|------|--------------------------------------|-------------------------------|
|   | Note | Rupees                               | Rupees                        |
| <b>ASSETS</b>   |      |                                      |                               |
| <b>Non current asset</b>  |      |                                      |                               |
| Long term deposit   |      | 37,500                               | 37,500                        |
| <b>Current assets</b>   |      |                                      |                               |
| Investments at fair value through profit or loss                    | 5    | 291,187,574                          | 173,922,693                   |
| Dividend and other receivables                                      |      | 4,221,608                            | 896,658                       |
| Bank balances   |      | 8,694,441                            | 6,573,863                     |
|   |      | <u>304,103,623</u>                   | <u>181,393,214</u>            |
| <b>Total assets</b>   |      | <u>304,141,123</u>                   | <u>181,430,714</u>            |
| <b>Current liabilities</b>  |      |                                      |                               |
| Due to Investment Adviser - an associated company                   | 6    | 3,182,721                            | 3,474,750                     |
| Trade and other payables  |      | 3,988,931                            | 1,913,186                     |
| Provision for taxation  |      | 335,080                              | -                             |
|   |      | <u>7,506,732</u>                     | <u>5,387,936</u>              |
| <b>Total liabilities</b>  |      | <u>7,506,732</u>                     | <u>5,387,936</u>              |
| <b>Net assets</b>   |      | <u>296,634,391</u>                   | <u>176,042,778</u>            |
| <b>Share capital and reserves</b>                                   |      |                                      |                               |
| Authorized Share capital  |      |                                      |                               |
| 35,000,000 (30 June 2006: 35,000,000) ordinary shares of Rs.10 each |      | 350,000,000                          | 350,000,000                   |
| Issued, subscribed and paid up capital                              | 7    | 300,000,000                          | 150,000,000                   |
| Share deposit money - right issue                                   |      | -                                    | 162,000                       |
| Accumulated (loss)/unappropriated profit                            |      | (3,365,609)                          | 25,880,778                    |
|   |      | <u>296,634,391</u>                   | <u>176,042,778</u>            |
| <b>Contingencies and commitments</b>                                | 8    |                                      |                               |
|   |      | <u>296,634,391</u>                   | <u>176,042,778</u>            |

The annexed notes 1 to 12 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**CONDENSED PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

| Note  | SIX MONTHS ENDED     |                      | THREE MONTHS ENDED   |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2006 | December 31,<br>2005 | December 31,<br>2006 | December 31,<br>2005 |
|   | Rupees               | Rupees               | Rupees               | Rupees               |
| <b>INVESTMENT INCOME</b>  |                      |                      |                      |                      |
| Capital gain on sale of listed securities                               | 3,066,267            | 14,179,795           | 2,106,012            | 9,992,675            |
| Dividend income   | 6,701,606            | 3,815,250            | 5,004,106            | 3,011,250            |
| Other income  | 956,011              | 27,055               | 767,285              | 27,055               |
|   | 10,723,884           | 18,022,100           | 7,877,403            | 13,030,980           |
| Unrealized (loss)/gain due to change in fair value of listed securities | 5 (3,641,492)        | 25,144,879           | (9,217,079)          | 3,462,563            |
|   | 7,082,392            | 43,166,979           | (1,339,676)          | 16,493,543           |
| <b>Operating expenses</b>   |                      |                      |                      |                      |
| Administrative expenses   | 831,782              | 326,660              | 270,916              | 255,567              |
| Remuneration to the investment adviser                                  | 6 3,182,721          | 1,584,133            | 1,546,200            | 808,493              |
| Take-up commission  | 1,498,380            | -                    | -                    | -                    |
| Brokerage commission and capital value tax                              | 480,816              | 495,117              | 87,553               | 196,747              |
|   | 5,993,699            | 2,405,910            | 1,904,669            | 1,260,807            |
| <b>Profit/(loss) before taxation</b>                                    | 1,088,693            | 40,761,069           | (3,244,345)          | 15,232,736           |
| Provision for taxation  | 335,080              | 200,232              | 250,205              | 160,032              |
| <b>Profit/(loss) after taxation for the period</b>                      | 753,613              | 40,560,837           | (3,494,550)          | 15,072,704           |
| <b>Earnings per share - basic</b>                                       | 9 0.03               | 2.70                 | (0.12)               | 1.00                 |

The annexed notes 1 to 12 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**CONDENSED CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

| SIX MONTHS ENDED  |                      |              |
|---|----------------------|--------------|
| December 31,<br>2006  | December 31,<br>2005 |              |
| Rupees  | Rupees               |              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                      |                      |              |
| Profit before taxation  | 1,088,693            | 40,761,069   |
| Adjustment for:   |                      |              |
| Dividend income   | (6,701,606)          | (3,815,250)  |
| Unrealized loss/(gain) on listed securities                     | 3,641,492            | (25,144,879) |
|   | (3,060,114)          | (28,960,129) |
| <b>Operating profit before working capital changes</b>          | (1,971,421)          | 11,800,940   |
| (Increase)/decrease in current assets                           |                      |              |
| Investments in listed securities                                | (120,906,371)        | (22,057,677) |
| Other receivables   | (2,772,470)          | 10,676,301   |
|   | (123,678,841)        | (11,381,376) |
| Increase/(decrease) in current liabilities                      |                      |              |
| Due to investment adviser                                       | (292,029)            | (1,039,984)  |
| Trade and other payables  | 844,106              | (10,647,125) |
|   | 552,077              | (11,687,109) |
| <b>Cash used in operations</b>                                  | (125,098,185)        | (11,267,545) |
| Tax paid  | (108,580)            | (5,925)      |
| Dividend received   | 6,257,706            | 3,801,967    |
| <b>Net cash used in operating activities</b>                    | (118,949,059)        | (7,471,503)  |
| <b>Cash flow from financing activities</b>                      |                      |              |
| Dividend paid   | (28,768,363)         | (9,474,707)  |
| Proceeds against issue of right shares                          | 149,838,000          | -            |
| <b>Net cash generated from/(used in) financing activities</b>   | 121,069,637          | (9,474,707)  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     | 2,120,578            | (16,946,210) |
| <b>Cash and cash equivalents at the beginning of the period</b> | 6,573,863            | 25,609,014   |
| <b>Cash and cash equivalents at the end of the period</b>       | 8,694,441            | 8,662,804    |

The annexed notes 1 to 12 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

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**CONDENSED DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

|  | <b>SIX MONTHS ENDED</b>      |                              |
|--|------------------------------|------------------------------|
|  | <b>December 31,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|  | <b>Rupees</b>                | <b>Rupees</b>                |
| Unappropriated profit/(accumulated loss) brought forward                   | <b>25,880,778</b>            | (7,388,587)                  |
| Profit for the half year ended   | <b>753,613</b>               | 40,560,837                   |
| Final dividend @ Rs 1 per share for the year 2006<br>(2005:Rs 1 per share) | <b>(30,000,000)</b>          | (15,000,000)                 |
| Accumulated (loss)/unappropriated profit carried forward                   | <b><u>(3,365,609)</u></b>    | <u>18,172,250</u>            |

The annexed notes 1 to 12 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

|   | <b>Share<br/>capital</b>  | <b>Share<br/>deposit<br/>money<br/>(right<br/>issue)</b> | <b>Accumulated<br/>(loss)/un-<br/>appropriated<br/>profit</b> | <b>Total</b>                     |
|---|---------------------------|--|---|----------------------------------|
|   | <b>Rupees</b>             | <b>Rupees</b>  | <b>Rupees</b>   | <b>Rupees</b>                    |
| <b>Balance as at July 01, 2005</b>                | 150,000,000               | -  | (7,388,587)   | <b>142,611,413</b>               |
| Profit for the half year ended December 31, 2005  | -                         | -  | 40,560,837  | <b>40,560,837</b>                |
| Final dividend @ Rs 1 per share for the year 2005 | -                         | -  | (15,000,000)  | <b>(15,000,000)</b>              |
| <b>Balance as at December 31, 2005</b>            | <u>150,000,000</u>        | <u>-</u>   | <u>18,172,250</u>   | <u><b>168,172,250</b></u>        |
| <b>Balance as at July 01 2006</b>                 | 150,000,000               | 162,000  | 25,880,778  | <b>176,042,778</b>               |
| Profit for the half year ended December 31, 2006  | -                         | -  | 753,613   | <b>753,613</b>                   |
| Share deposit money - right                       | -                         | 149,838,000  | -   | <b>149,838,000</b>               |
| Right shares issued                               | 150,000,000               | (150,000,000)  | -   | -                                |
| Final Dividend @ Rs 1 per share for the year 2006 | -                         | -  | (30,000,000)  | <b>(30,000,000)</b>              |
| <b>Balance as at December 31, 2006</b>            | <u><u>300,000,000</u></u> | <u><u>-</u></u>  | <u><u>(3,365,609)</u></u>                                     | <u><u><b>296,634,391</b></u></u> |

The annexed notes 1 to 12 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

**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 was registered with the Securities and Exchange Commission of Pakistan ('Commission') as an Investment Company under the Investment Companies and Investment Advisor's Rules, 1971. The Investment Companies and Investment Advisor's Rules, 1971, have been repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Subsequently, the Fund has been registered with the Commission as an investment company under the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003. The object of the fund is to carry on the business of a close-ended mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchange.

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

**2 Basis of preparation**

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and are in accordance with the directives issued by Securities and Exchange Commission of Pakistan.

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard-34 "Interim Financial Statements".

**3 Significant accounting policies**

Accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2006.

**4 Estimates**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2006.

**5. Investments at fair value through profit or loss**

Ordinary fully paid shares/certificates have a face value of Rs. 10 each unless stated otherwise.

| NAME OF COMPANY                          | BALANCE AS AT 31, DECEMBER 2006 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
|--|---------------------------------|----------|-----------------|---------|---------|---------------------------|------------------------------|---------------------------|-------------------------------------|-----------------------------------|----------------------|--|-------------------------------------|----------------------|--|
|  | NUMBER OF SHARES/CERTIFICATES   |          |                 |         |         | Percentage in relation to |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
|  | Opening                         | Purchase | Bonus/<br>Right | Sale    | Closing | Cost<br>RUPEES            | Carrying<br>Amount<br>RUPEES | Market<br>Value<br>RUPEES | Unrealized<br>gain/(Loss)<br>RUPEES | Own net assets<br>At<br>Cost<br>% | Market<br>Value<br>% | Number of<br>Shares of<br>investee<br>company<br>% | Total Investment<br>At<br>Cost<br>% | Market<br>Value<br>% |  |
| <b>Investment Companies / Banks</b>      |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| First Capital Equities Limited           | 215,000                         | -        | 107,500         | -       | 322,500 | 5,223,547                 | 14,480,250                   | 16,447,500                | 1,967,250                           | 1.76                              | 5.54                 | 1.34   | 1.94                                | 5.65                 |  |
| First Capital Equities Limited - right   | -                               | -        | 161,250         | -       | 161,250 | 2,418,750                 | 2,418,750                    | 8,223,750                 | 5,805,000                           | 0.81                              | 2.77                 | 0.67   | 0.90                                | 2.82                 |  |
| PICIC                                    | -                               | 100,000  | 9,000           | -       | 109,000 | 6,753,950                 | 6,753,956                    | 6,807,050                 | 53,094                              | 2.27                              | 2.29                 | 0.04   | 2.51                                | 2.34                 |  |
| <b>Commercial Banks</b>                  |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| National Bank of Pakistan                | 60,000                          | 65,000   | -               | 25,000  | 100,000 | 11,145,000                | 22,180,100                   | 22,425,000                | 244,900                             | 3.75                              | 7.55                 | 0.01   | 4.14                                | 7.70                 |  |
| The Bank of Punjab                       | 110,400                         | 34,600   | 1,255           | 15,000  | 131,255 | 11,699,852                | 11,157,377                   | 13,289,569                | 2,132,192                           | 3.94                              | 4.48                 | 0.05   | 4.35                                | 4.56                 |  |
| MCB Bank Limited.                        | -                               | 105,000  | -               | 10,000  | 95,000  | 21,981,444                | 21,967,435                   | 23,378,500                | 1,418,065                           | 7.40                              | 7.87                 | 0.02   | 8.16                                | 8.03                 |  |
| Union Bank Limited.                      | 140,452                         | -        | -               | 140,452 | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| Bank Al Falah Limited.                   | 40,000                          | -        | -               | -       | 40,000  | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| Faysal Bank Limited.                     | -                               | 25,000   | -               | 25,000  | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| United Bank Limited.                     | 5,000                           | -        | -               | 5,000   | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| <b>Textile Composite</b>                 |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Nishat Mills Limited                     | 105,000                         | 60,000   | -               | -       | 165,000 | 15,554,066                | 15,350,215                   | 14,487,000                | (663,215)                           | 5.24                              | 4.88                 | 0.11   | 5.78                                | 4.98                 |  |
| <b>Synthetic &amp; Rayon</b>             |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Dewan Salman Fibre Limited               | -                               | 100,000  | -               | -       | 100,000 | 1,374,025                 | 1,374,030                    | 765,000                   | (609,030)                           | 0.46                              | 0.26                 | 0.03   | 0.51                                | 0.26                 |  |
| <b>June</b>                              |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Thal Limited                             | 30,000                          | 100      | 6,020           | 16,100  | 20,020  | 4,011,086                 | 2,821,645                    | 3,293,290                 | 471,645                             | 1.35                              | 1.11                 | 0.14   | 1.49                                | 1.13                 |  |
| <b>Cement</b>                            |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Dewan Cement Limited                     | 41,512                          | -        | -               | -       | 41,512  | 599,932                   | 655,890                      | 435,876                   | (220,014)                           | 0.20                              | 0.15                 | 0.03   | 0.22                                | 0.15                 |  |
| Dandot Cement Limited                    | -                               | 75,000   | -               | 75,000  | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| D.G.Khan Cement Company Limited          | 65,000                          | 154,950  | 20,005          | 19,900  | 220,055 | 21,059,590                | 18,556,556                   | 13,852,463                | (4,704,093)                         | 7.09                              | 4.67                 | 0.12   | 7.83                                | 4.76                 |  |
| D.G.Khan Cement Company Limited (R)      | 11,250                          | -        | -               | 11,250  | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| Lucky Cement Limited                     | 125,000                         | 50,000   | -               | 20,000  | 155,000 | 16,091,441                | 16,268,459                   | 9,284,500                 | (6,983,959)                         | 5.42                              | 3.13                 | 0.06   | 5.98                                | 3.19                 |  |
| Fajji Cement Company Limited             | -                               | 100,000  | -               | -       | 100,000 | 2,093,600                 | 2,093,600                    | 1,510,000                 | (583,600)                           | 0.71                              | 0.51                 | 0.03   | 0.78                                | 0.52                 |  |
| <b>Power Generation and Distribution</b> |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Kot Addu Power Company Limited           | 150,000                         | 100,000  | -               | -       | 250,000 | 10,153,725                | 10,766,750                   | 10,175,000                | (593,750)                           | 3.42                              | 3.43                 | 0.03   | 3.77                                | 3.49                 |  |
| <b>Oil &amp; Gas Marketing Companies</b> |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Attock Petroleum Limited                 | -                               | 20,000   | -               | -       | 20,000  | 6,738,175                 | 6,738,174                    | 7,759,000                 | 1,020,826                           | 2.27                              | 2.61                 | 0.01   | 2.50                                | 2.66                 |  |
| Pakistan State Oil Company Limited       | 7,500                           | 27,500   | -               | 15,000  | 20,000  | 6,761,382                 | 6,274,478                    | 5,880,000                 | (394,478)                           | 2.28                              | 1.98                 | 0.01   | 2.51                                | 2.02                 |  |
|  |                                 |          |                 |         |         | 143,638,555               | 159,853,665                  | 138,014,488               | (1,839,167)                         |                                   |                      |  |                                     |                      |  |

13

First Capital Mutual Fund Limited



First Capital Mutual Fund Limited



| NAME OF COMPANY                            | BALANCE AS AT 31, DECEMBER 2006 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
|--|---------------------------------|----------|-----------------|---------|---------|---------------------------|------------------------------|---------------------------|-------------------------------------|-----------------------------------|----------------------|--|-------------------------------------|----------------------|--|
|  | NUMBER OF SHARES/CERTIFICATES   |          |                 |         |         | Percentage in relation to |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
|  | Opening                         | Purchase | Bonus/<br>Right | Sale    | Closing | Cost<br>RUPEES            | Carrying<br>Amount<br>RUPEES | Market<br>Value<br>RUPEES | Unrealized<br>gain/(Loss)<br>RUPEES | Own net assets<br>At<br>Cost<br>% | Market<br>Value<br>% | Number of<br>Shares of<br>investee<br>company<br>% | Total Investment<br>At<br>Cost<br>% | Market<br>Value<br>% |  |
| <b>Oil &amp; Gas Exploration Companies</b> |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Pakistan OilFields Limited                 | 47,000                          | 38,000   | -               | -       | 85,000  | 24,293,898                | 28,894,450                   | 29,728,751                | 834,301                             | 8.18                              | 10.00                | 0.04   | 9.03                                | 10.21                |  |
| Oil & Gas Development Company Limited      | 125,000                         | 115,000  | -               | 45,000  | 195,000 | 20,254,689                | 26,996,800                   | 22,366,500                | (4,622,300)                         | 6.82                              | 7.53                 | 0.00   | 7.53                                | 7.66                 |  |
| Pakistan Petroleum Limited                 | 27,500                          | 47,500   | -               | 5,000   | 70,000  | 15,850,662                | 16,125,382                   | 16,240,000                | 114,618                             | 5.34                              | 5.47                 | 0.01   | 5.89                                | 5.58                 |  |
| <b>Automobile Assembler</b>                |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Indus Motor Company Limited                | 30,000                          | 15,000   | -               | -       | 45,000  | 6,977,795                 | 9,014,567                    | 8,775,000                 | (239,567)                           | 2.35                              | 2.96                 | 0.06   | 2.59                                | 3.01                 |  |
| Pak Suzuki Motor Company Limited           | 15,100                          | 24,400   | -               | -       | 39,500  | 13,159,642                | 13,428,104                   | 16,590,000                | 3,161,896                           | 4.43                              | 5.59                 | 0.07   | 4.89                                | 5.70                 |  |
| <b>Cable &amp; Electrical Goods</b>        |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Pak Elektron Limited                       | 100,000                         | 10,000   | -               | 110,000 | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| <b>Technology &amp; Communication</b>      |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Pakistan Telecommunication Company Limited | 120,000                         | 225,000  | -               | -       | 345,000 | 19,999,896                | 14,826,272                   | 15,283,500                | 457,228                             | 6.74                              | 5.15                 | 0.01   | 7.43                                | 5.25                 |  |
| Callimate Telpis Telecom Limited           | -                               | 75,000   | -               | 75,000  | -       | -                         | -                            | -                         | -                                   | -                                 | -                    | -  | -                                   | -                    |  |
| <b>Fertilizer</b>                          |                                 |          |                 |         |         |                           |                              |                           |                                     |                                   |                      |  |                                     |                      |  |
| Engro Chemical Limited                     | -                               | 40,000   | -               | 25,000  | 15,000  | 2,784,236                 | 2,784,237                    | 2,535,000                 | (249,237)                           | 0.94                              | 0.85                 | 0.01   | 1.03                                | 0.87                 |  |
| Fajjil Fertilizer Company Limited          | 71,500                          | -        | -               | -       | 71,500  | 7,289,385                 | 8,651,500                    | 7,546,825                 | (1,104,675)                         | 2.46                              | 2.54                 | 0.01   | 2.71                                | 2.59                 |  |
| Fajjil Fertilizer Bin Qasim Limited        | 230,000                         | 265,000  | -               | -       | 495,000 | 14,817,938                | 14,262,089                   | 14,107,500                | (154,589)                           | 4.99                              | 4.75                 | 0.05   | 5.51                                | 4.84                 |  |
| <b>31 December 2006</b>                    |                                 |          |                 |         |         | 268,076,786               | 294,823,066                  | 291,187,574               | (3,641,492)                         |                                   |                      |  |                                     |                      |  |
| <b>30 June 2006</b>                        |                                 |          |                 |         |         | 145,352,866               | 160,446,447                  | 173,922,693               | 13,476,246                          |                                   |                      |  |                                     |                      |  |

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

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

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



|  | Note | Un-audited<br>December 31,<br>2006<br>Rupees | Audited<br>June 30,<br>2005<br>Rupees |
|--|------|--|---------------------------------------|
| <b>6 Due to investment adviser - an associated company</b> |      |  |                                       |
| Remuneration @ 2% of average annual net assets             | 6.1  | <u>3,182,721</u>                             | <u>3,474,750</u>                      |

6.1 The remuneration of the investment Advisor First Capital Investments Limited, an associated company, has been calculated as required under Rule 53 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which entitles the Investment Advisor to a remuneration @ 2% of the average annual net assets of the Fund.

|  | Un-audited<br>December 31,<br>2006<br>Rupees | Audited<br>June 30,<br>2005<br>Rupees |
|--|--|---------------------------------------|
| <b>7 Issued, subscribed and paid up capital</b>  |  |                                       |
| 30,000,000 (June 30, 2006: 15,000,000) ordinary shares of Rs. 10 each fully paid in cash | <b>300,000,000</b>                           | 150,000,000                           |

First Capital Investments Limited, an associated company, holds 3,430,880 (June 30, 2006: 1,954,500) ordinary shares of Rs. 10 each representing 11.44% (June 30, 2006: 13.03%) of the issued and paid up capital of the Fund.

**8 Contingencies and commitments**

There are no contingencies or commitments at the balance sheet date. (June 30, 2006: Nil).

|  | Un-audited<br>December 31,<br>2006<br>Rupees | Un-audited<br>December 31,<br>2005<br>Rupees |
|--|--|--|
| <b>9 Earning per share - Basic</b>           |  |  |
| Profit attributable to ordinary shareholders | <b>Rupees 753,613</b>                        | 40,560,837                                   |
| Weighted average number of shares            | <b>Shares 27,863,014</b>                     | 15,000,000                                   |
| Earnings per share                           | <b>Rupees 0.03</b>                           | 2.70   |



**10 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:

|                           |      | SIX MONTHS ENDED                             |  |
|---------------------------|------|--|--|
|                           |      | Un-audited<br>December 31,<br>2006<br>Rupees | Un-audited<br>December 31,<br>2005<br>Rupees |
| <b>Associates</b>         |      |  |  |
| Take-up commission        |      | <b>973,947</b>                               | -  |
| Fee to investment adviser | 10.1 | <b>3,182,721</b>                             | 1,584,133                                    |

10.1 Amount due to related party at the year end is disclosed in note 6 of these financial statements.

**11 Date of authorization**

These financial statements were authorized for issue on February 26, 2007 by the Board of Directors.

**12 General**

- Figures have been rounded off to the nearest of rupee.

- There was a change in accounting policy in the financial statements for the year ended June 30, 2006 with respect to transaction costs incurred in relation to acquisition of investments, classified as 'investment at fair value through profit or loss'. Consequently, corresponding figures of capital gain on sale of listed securities, unrealized (loss)/gain due to change in fair value of listed securities and brokerage commission and capital value tax in the profit and loss account have been restated.





**STATEMENT OF INCOME & EXPENDITURE  
IN RELATION TO THE INVESTMENT COMPANY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006 (UN-AUDITED)**

|   | SIX MONTHS ENDED               |                                | THREE MONTHS ENDED             |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | December 31,<br>2006<br>Rupees | December 31,<br>2005<br>Rupees | December 31,<br>2006<br>Rupees | December 31,<br>2005<br>Rupees |
| <b>REVENUE</b>  |                                |                                |                                |                                |
| Investment advisory fee   | 4,413,544                      | 2,183,755                      | 2,171,346                      | 1,187,424                      |
| Dividend Income   | 3,430,880                      | -                              | 3,430,880                      | -                              |
| Capital loss on listed securities                                       | (708,674)                      | -                              | (738,374)                      | -                              |
| Take up commission  | 149,838                        | -                              | -                              | -                              |
| Unrealized loss on investments at<br>fair value through profit and loss | (129,264)                      | -                              | (129,264)                      | -                              |
|   | <b>7,156,324</b>               | <b>2,183,755</b>               | <b>4,734,588</b>               | <b>1,187,424</b>               |
| <b>ADMINISTRATIVE EXPENSES</b>  |                                |                                |                                |                                |
|   | 5,123,466                      | 2,823,001                      | 3,430,550                      | 1,583,771                      |
| <b>OPERATING PROFIT / (LOSS)</b>  | <b>2,032,858</b>               | <b>(639,246)</b>               | <b>1,304,038</b>               | <b>(396,347)</b>               |
| <b>OTHER (LOSS)/INCOME</b>  |                                |                                |                                |                                |
|   | (64,962)                       | 1,824,073                      | (21,630)                       | 1,558,914                      |
|   | <b>1,967,896</b>               | <b>1,184,827</b>               | <b>1,282,408</b>               | <b>1,162,567</b>               |
| Financial Expenses  | 89,036                         | 1,086                          | 89,036                         | 1,086                          |
| <b>OPERATING PROFIT BEFORE TAX</b>                                      | <b>1,878,860</b>               | <b>1,183,741</b>               | <b>1,193,372</b>               | <b>1,161,481</b>               |
| <b>TAXATION</b>   |                                |                                |                                |                                |
|   | 186,528                        | -                              | 186,528                        | -                              |
| <b>PROFIT AFTER TAXATION</b>  | <b>1,692,332</b>               | <b>1,183,741</b>               | <b>1,006,844</b>               | <b>1,161,481</b>               |
| Earnings per share- Basic   | <b>0.45</b>                    | <b>0.31</b>                    | <b>0.26</b>                    | <b>0.31</b>                    |

LAHORE

CHIEF EXECUTIVE

DIRECTOR

