

First Capital Mutual Fund Limited



**QUARTERLY ACCOUNTS  
(UN-AUDITED)**

**30 SEPTEMBER 2006**

First Capital Mutual Fund Limited



**COMPANY INFORMATION**

Board of Directors	Salmaan Taseer (Chairman) Muhammad Faisal Potrik (CEO) Sardar Ali Wattoo Khawaja Khalil Shah Muhammad Naveed Tariq Mahmood Ali Athar Ahmad Bilal
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Salmaan Taseer Muhammad Naveed Tariq Ahmad Bilal
Company Secretary	Muhammad Musharaf Khan
Investment Committee	Muhammad Faisal Potrik Syed Kashan Kazmi Muhammad Asim
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Adviser	Rehman Saleem & Tarar Advocates
Custodian	Crescent Commercial Bank Limited
Investment Advisers	First Capital Investments Limited 103-C/II, Gulberg-III, Lahore
Registered Office / Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi ☎ (021) 5689021, 111-000-322



**DIRECTORS' REVIEW**

The Directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the quarterly accounts for the period ended September 30, 2006.

**Performance Review**

**Operating Results**

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

	September 30, 2006 Rs.	September 30, 2005 Rs.
Capital gain on sale of listed securities	960,255	4,146,641
Dividend Income	1,697,500	804,000
Other Income	188,726	NIL
Unrealized gain due to change in fair value of listed securities	5,575,587	21,620,240
Operating Expenses	4,089,030	1,042,548
Profit after Taxation	4,248,163	25,488,133
Earnings per Share	0.16 *	1.70
Net Asset Value	330,128,941	176,042,778
Net Asset Value (Per Share)	11.00	11.74

\* Earnings Per Share for the three months period ended 30 September 2006 has been worked out on the basis on increased paid up capital of the Company.

During the period under review, the operating results of the company are not in the line with corresponding period as the performance of the fund remained under pressure due to range bound movement of KSE 100 index with the index depicting a minor increase from 9,989 points on June 30, 2006 to 10,513 points on September 30, 2006. The company earned an after tax profit of Rs. 4.2 million (EPS: Rs. 0.16) as compared to Rs. 25.48 million (EPS: Rs. 1.70) in the corresponding period last year. The operating expenses have risen significantly, the major reason for which is a one-time charge of take up commission, paid to underwriters of rights issue.

The asset base of the Company has significantly increased reflecting the impact of rights issue that has increased the company's paid up capital by 100% to from Rs. 150 million to Rs300 million. Net Assets have crossed Rs330 million (June 2006: Rs. 176 million) however, per share NAV has indicated a marginal decline due to the dilution effect and the lackluster performance of KSE-100 index.

Performance of E&P sector, which has the highest weight in KSE-100 (about 30%) and also in our portfolio (about 20%), remained muted mainly due to a declining trend in International oil prices. Banking Sector remained the major index mover at KSE due to speculation over potential mergers and acquisitions.

**Market Outlook & Future Strategy**

Market has partially recovered from the correction phase that started in April 2006. Corporate results for FY06 announced by major companies at KSE have shown healthy growth and indicate a strong potential for continued expansion and earnings growth. Banking Sector shall be at the helm of attraction for investors in the near future, due to potential for mergers and acquisitions and issuance of GDR's and listing at International bourses. E&P sector, which has been facing pressure due to decline in International Oil Prices, is bound to perform based on the expected volumetric growth and new discoveries. Performance of Fertilizers, Autos, Telecoms and Power Sectors are expected to contribute through their continued stable performance. At the same time, continuation of the privatization process shall be important in strengthening the market momentum.

On the economic front, higher than anticipated inflation and budget deficit figures are a concern, we however expect the same is still manageable and the growth targets shall not be disturbed. Our view remains positive for the overall economy and equity market in particular especially due to rising inflows from foreigners as reflected by SCRA numbers.

**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  
30 October 2006

Muhammad Faisal Potrik  
Chief Executive



**BALANCE SHEET (UN-AUDITED)  
AS AT 30 SEPTEMBER 2006**

	Note	Unaudited 30 September 2006 Rupees	Audited 30 June 2006 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSET</b>			
Long term deposit		37,500	37,500
<b>Current Assets</b>			
Investments held for trading	5	289,338,554	173,922,693
Dividend and other receivables		1,946,079	896,658
Bank balances		50,145,432	6,573,863
<b>TOTAL ASSETS</b>		<b>341,467,565</b>	<b>181,430,714</b>
<b>Current Liabilities</b>			
Due to Investment Adviser - an associated company	6	5,111,271	3,474,750
Trade and other payables		6,142,478	1,913,186
Provision for taxation		84,875	-
<b>TOTAL LIABILITIES</b>		<b>11,338,624</b>	<b>5,387,936</b>
<b>NET ASSETS</b>		<b>330,128,941</b>	<b>176,042,778</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		35,000,000	35,000,000
35,000,000 (June 2006: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		300,000,000	150,000,000
Share deposit money - Right issue		-	162,000
Unappropriated profits		30,128,941	25,880,778
		<b>330,128,941</b>	<b>176,042,778</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director



**PROFIT & LOSS ACCOUNT (UN-AUDITED)**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

Note	Jul to Sep 2006 Rupees	Jul to Sep 2005 Rupees
<b>INVESTMENT INCOME</b>		
Net gain on listed securities	960,255	4,146,641
Dividend income	1,697,500	804,000
Other income	188,726	-
	<u>2,846,481</u>	<u>4,950,641</u>
Unrealized gain on listed securities	5,575,587	21,620,240
	<u>8,422,068</u>	<u>26,570,881</u>
<b>OPERATING EXPENSES</b>		
Administrative expenses	560,866	70,161
Remuneration of investment adviser	1,636,521	775,640
Take-up commission	1,498,380	-
Brokerage commission and capital value tax	393,263	196,747
	<u>4,089,030</u>	<u>1,042,548</u>
PROFIT BEFORE TAXATION	<u>4,333,038</u>	<u>25,528,333</u>
TAXATION	84,875	40,200
PROFIT FOR THE PERIOD	<u>4,248,163</u>	<u>25,488,133</u>
EARNINGS PER SHARE- BASIC	<u>0.16</u>	<u>1.70</u>

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

Lahore

Chief Executive

Director

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**CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	July to Sep 2006 Rupees	July to Sep 2005 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,333,038	25,528,333
<b>Adjustment for:</b>		
Dividend Income	(1,697,500)	(804,000)
Unrealized loss/(gain) on listed securities	(5,575,587)	(21,620,240)
	<u>(7,273,087)</u>	<u>(22,424,240)</u>
<b>Operating profit before working capital changes</b>	<u>(2,940,049)</u>	<u>3,104,093</u>
<b>Increase/(decrease) in current assets</b>		
Investments held for trading	(109,840,274)	(26,579,117)
Other receivables	(188,029)	11,134,354
	<u>(110,028,303)</u>	<u>(15,444,763)</u>
<b>Increase/(decrease) in current liabilities</b>		
Due to investment adviser	1,636,521	775,641
Trade and other payables	5,901,508	3,504,947
	<u>7,538,029</u>	<u>4,280,588</u>
<b>Net cash used in operations</b>	<u>(105,430,323)</u>	<u>(8,060,082)</u>
Tax paid	(3,517)	-
Dividend Received	839,625	-
	<u>836,108</u>	<u>-</u>
<b>Net cash used in operating activities</b>	<u>(106,266,431)</u>	<u>(8,060,082)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share deposit money received	149,838,000	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>43,571,569</u>	<u>(8,060,082)</u>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>	<u>6,573,863</u>	<u>25,609,014</u>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD</b>	<u>50,145,432</u>	<u>17,548,932</u>

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

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

Lahore

Chief Executive

Director

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**DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006**

	Jul to Sep 2006 Rupees	Jul to Sep 2005 Rupees
UNAPPROPRIATED PROFIT BROUGHT FORWARD	25,880,778	(7,388,587)
PROFIT FOR THE PERIOD	4,248,163	25,488,133
DIVIDEND FOR YEAR 2005	30,128,941	18,099,546 (15,000,000)
UNAPPROPRIATED PROFIT CARRIED FORWARD	<u>30,128,941</u>	<u>3,099,546</u>

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

Lahore Chief Executive Director

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006**

	Share Capital Rupees	Share Deposit Money Rupees	Unappropriated profit Rupees	Total Rupees
<b>Balance as on 30 June 2005</b>	150,000,000	-	(7,388,587)	142,611,413
Profit for the period	-	-	25,488,133	25,488,133
Final dividend @ Rs. 1/- per share for the year 2005	-	-	(15,000,000)	(15,000,000)
<b>Balance as on 30 September 2005</b>	<u>150,000,000</u>	<u>-</u>	<u>3,099,546</u>	<u>153,099,546</u>
<b>Balance as on 30 June 2006</b>	150,000,000	162,000	25,880,778	176,042,778
Profit for the period	-	-	4,248,163	4,248,163
Share Deposit Money ( Right )	-	149,838,000	-	149,838,000
Right shares issued	150,000,000	(150,000,000)	-	-
<b>Balance as on 30 September 2006</b>	<u>300,000,000</u>	<u>-</u>	<u>30,128,941</u>	<u>330,128,941</u>

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

Lahore Chief Executive Director



**NOTES TO THE ACCOUNTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006**

1 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 and 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 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 These financial statements are un-audited and are being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and are in accordance with the directives issued by Securities and Exchange Commission of Pakistan.
- 3 These financial statements have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Statements".
- 4 The accounting policies adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2006.

5. INVESTMENTS HELD FOR TRADING

NAME OF COMPANY	Number of shares / certificates				Balance as at 30 September 2006		Percentage in relation to				
	Holding at the beginning of the period (*)	Purchases during the period	Bonus/Rights received during the period	Sales during the period	Cost	Carrying Amount	Market Value	unrealized gain/(loss)	Own net assets	Number of shares	Total Investments
<b>Investment Companies / Banks</b>											
First Capital Equities Limited	215,000	-	-	-	2,988,500	14,480,250	14,480,250	-	4.39	0.90	5.10
PICIC	-	90,000	-	-	6,091,207	6,091,207	6,565,500	474,293	1.99	0.02	2.15
<b>Commercial Banks</b>											
National Bank of Pakistan	60,000	60,000	-	5,000	19,070,458	25,471,625	29,123,750	3,652,125	8.82	0.02	8.98
Payal Bank Limited	-	25,000	-	-	1,462,460	1,462,460	1,633,750	171,290	0.49	0.01	0.52
Bank Al Falah Limited	40,000	-	-	-	-	-	-	-	-	-	-
Union Bank Limited	140,452	-	-	140,452	-	-	-	-	-	-	-
United Bank Limited	5,000	-	-	-	-	-	-	-	-	-	-
The Bank of Punjab	110,400	-	-	10,000	8,777,711	8,303,080	8,619,340	316,260	2.61	0.04	2.93
MCB Bank Limited	-	105,000	-	-	24,273,165	24,273,225	26,775,000	2,501,776	8.11	0.02	8.55
<b>Textile Composit</b>											
Nishat Mills Limited	105,000	45,000	-	-	14,794,374	15,350,200	13,387,500	(1,962,700)	4.06	0.10	5.41
<b>Jute</b>											
Thal Industries Limited	30,000	-	-	-	7,217,487	5,071,500	6,040,500	969,000	1.83	0.22	1.79
<b>Synthetic &amp; Rayon</b>											
Dewan Saliman Fibers Limited	-	100,000	-	-	1,374,055	1,374,055	1,170,000	(204,055)	0.35	0.03	0.48
<b>Cement</b>											
Devan Cement Limited	41,512	-	-	-	599,932	655,890	655,890	-	0.20	0.03	0.23
D.G.Khan Cement Company Limited	65,000	113,700	11,250	19,900	15,797,306	15,593,553	16,324,800	791,247	4.94	0.09	5.47
D.G.Khan Cement Company Limited (R)	11,250	-	-	11,250	-	-	-	-	-	-	-
Darold Cement Company Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
Lucky Cement Company Limited	125,000	25,000	-	20,000	14,094,220	13,635,021	13,104,000	(531,021)	3.97	0.05	4.81
<b>Power Generation and Distribution</b>											
Kot Addu Power Company Limited	150,000	100,000	-	-	10,153,725	10,768,783	11,187,500	418,717	3.39	0.03	3.79
<b>Oil &amp; Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	7,500	17,500	-	15,000	3,591,730	3,211,602	3,120,500	(91,102)	0.95	0.01	1.13
Attock Petroleum Ltd.	-	15,000	-	-	5,080,179	5,080,179	5,175,000	94,821	1.57	0.04	1.79
<b>Oil &amp; Gas Exploration Companies</b>											
Pak Oil Fields Limited	47,000	28,000	-	-	22,230,566	25,497,434	24,993,750	(503,684)	7.57	0.04	8.99
Oil & Gas Development Company Limited	125,000	105,000	-	20,000	24,946,572	29,012,955	26,848,500	(2,164,455)	8.13	0.00	10.22
Pakistan Petroleum Limited	27,500	42,500	-	5,000	16,859,616	14,914,981	15,275,000	360,019	4.63	0.01	5.26

<b>Automobile Assembler</b>											
Indus Motors Company Limited	30,000	15,000	-	-	6,923,110	9,014,565	9,236,250	221,685	2.80	0.06	3.18
Pakistan Suzuki Motor Company Limited	15,100	24,400	-	-	13,301,615	13,428,106	15,896,775	2,468,669	4.82	0.07	4.73
<b>Cable &amp; Electric Goods</b>											
Pak Elektron Limited	100,000	10,000	-	110,000	-	-	-	-	-	-	-
<b>Technology &amp; Communication</b>											
Pakistan Telecommunication Co. Ltd.	120,000	190,000	-	-	15,425,379	13,173,857	12,756,500	(417,057)	3.86	0.01	4.64
Callmate Telips Telecom	-	75,000	-	75,000	-	-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Chemicals Limited	-	40,000	-	-	7,424,632	7,424,632	7,164,000	(260,632)	2.17	0.03	2.62
Fauji Fertilizer Company Limited	71,500	-	-	-	7,299,385	8,651,500	8,365,500	(286,000)	8.13	0.01	3.05
Fauji Fertilizer Bin Qasim Company Limited	230,000	180,000	-	-	12,361,580	11,882,609	11,439,000	(443,609)	3.47	0.04	4.19
<b>Total</b>	<b>1,872,214</b>	<b>1,481,100</b>	<b>11,250</b>	<b>551,602</b>	<b>262,138,964</b>	<b>283,762,968</b>	<b>289,338,555</b>	<b>5,575,587</b>			

\* Opening balance of equity represents balance as on 01 July 2006.



	Jul-Sep 2006 Rupees	Jul-Sep 2005 Rupees
<b>6. DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS LIMITED-AN ASSOCIATED COMPANY</b>		
Average annual net assets after charging remuneration of Investment Adviser & annual fee to SECP	<u>327,304,045</u>	<u>155,128,067</u>
Remuneration @ 2% of annual average net assets	<u>1,636,521</u>	<u>775,640</u>

**7. CONTINGENCIES AND COMMITMENTS**

These are same as reported annual financial statements of the Company for the year ended 30 June 2006.

**8. TRANSACTIONS WITH RELATED PARTIES**

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

	Jul to Sep 2006 Rupees	Jul to Sep 2005 Rupees
<b>Associates</b>		
Take-up commission	973,947	-
Fee to investment adviser	1,636,521	775,640

The company continues to have a policy whereby all transactions with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

**9. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 30 October 2006 by the board of directors of the company.

The Board of directors have proposed a final dividend for the year ended June 30, 2006, of Rs. 1/- per share (10% per share), amounting to Rs 30,000,000 at their meeting held on October 7, 2006 for approval of the members at the Annual General Meeting held on October 30, 2006. These financial statements do not reflect this dividend payable.

**10. GENERAL**

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director



**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE INVESTMENT COMPANY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2006**

Note	Jul to Sep 2006 Rupees	Jul to Sep 2005 Rupees
<b>REVENUE</b>		
Investment advisory fee	2,242,198	996,331
Capital gain	29,700	-
Take-up commission	149,838	-
	<u>2,421,736</u>	<u>996,331</u>
<b>OPERATING EXPENSES</b>	1,692,916	1,239,230
<b>OPERATING PROFIT/(LOSS)</b>	<u>728,820</u>	<u>(242,899)</u>
<b>OTHER INCOME/(LOSS)</b>	(43,332)	265,159
	<u>685,488</u>	<u>22,260</u>
<b>TAXATION</b>	-	-
<b>PROFIT AFTER TAXATION</b>	<u>685,488</u>	<u>22,260</u>
Earnings/(loss) per share - Basic	<u>0.18</u>	<u>0.01</u>

Lahore

Chief Executive

Director