



FIRST CAPITAL MUTUAL FUND LIMITED

QUARTERLY ACCOUNTS

(UN-AUDITED)

31 MARCH 2003

Company Information

Board of Directors

Salmaan Taseer
Chairman

Mumtaz H Syed
Chief Executive Officer

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)

Investment Committee

Salmaan Taseer (Chairman)
Mumtaz H Syed (Member)
Sardar Ali Wattoo (Member)

Legal Adviser

Intiaz Siddiqui & Associates

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, Sheikh Sultan Trust Building No. 2
Beaumont Road, Karachi
☎ (021) 5689021

Chief Financial Officer

Sardar Ali Wattoo

Company Secretary

Sardar Ali Wattoo

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Custodian

Crescent Investment Bank Limited

Investment Advisers

First Capital Investments (Pvt.) Limited
103-C/II, Gulberg-III, Lahore

Directors' Review

The Directors of First Capital Mutual Fund Limited are pleased to present the unaudited accounts of the Company for the nine months ended March 31, 2003.

Company's Performance

The period under review witnessed a significant improvement in results with the Company securing an after-tax profit of Rs.16.54 million against a profit of Rs. 1.26 million in the nine months ended March 31, 2002. The Net Assets Value (NAV) increased from Rs. 5.71 at the end of last fiscal year to Rs. 6.82 as on March 31, 2003 showing an appreciation of 19.44%. This is mainly on account of capital gains realized in the amount of Rs 21.85 million as compared to a realized capital gain of Rs. 3.35 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. 66.38 million have been reduced to Rs. 47.77 million during the period.

During the quarter January - March 2003, the stock market showed great volatility. In early January, the KSE-100 Index touched the highest mark of 2955 and also the highest volume of shares traded in a day i.e. 591 million. But this bullish trend was intercepted when extremely high COT rates, which along with the Iraq War created a panic amongst investors and the market fell to a level of 2356.

Future outlook

Stock market investors are presently cautious because of the economic and political uncertainties in the region. However, we expect that any slump in the market would be only temporary, as the Gulf War is not likely to affect Pakistan directly. Keeping in view the constantly improving regulatory environment of the capital markets, new reforms by the Government and other indicators such as more than \$10 billion foreign exchange reserves and continuously falling interest rates, we look forward that the stock market would continue to offer better returns to the investors.

The Securities and Exchange Commission of Pakistan vide notification dated April 1, 2003 has notified that the Federal Government, in exercise of the powers conferred by Section 282 B of the Companies Ordinance, 1984 has made the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 applicable from April 1, 2003. Your Company is organized to conform to the said rules within the stipulated time in all respects.

For and on behalf of the Board

Lahore
26 April 2003

Mumtaz H Syed
Chief Executive

Balance Sheet (un-audited)*as at 31 March 2003*

| | Note | 31 March 2003 Rupees | 30 June 2002 Rupees |
|--|------|----------------------------|---------------------------|
| ASSETS | | | |
| Marketable securities | 4 | 96,334,115 | 92,826,352 |
| Other Assets | | | |
| Accounts receivable | | 5,182,507 | 612,744 |
| Security deposits | | 150,000 | 300,000 |
| Bank balances | | 3,452,460 | 3,912,612 |
| | | 8,784,967 | 4,825,356 |
| Total Assets | | 105,119,082 | 97,651,708 |
| CURRENT LIABILITIES | | | |
| Due to Investment Adviser - an associated company | 5 | 1,833,650 | 1,749,433 |
| Accounts payable | | 391,113 | 9,838,322 |
| Provision for taxation | | 664,393 | 375,050 |
| | | 2,889,156 | 11,962,805 |
| Contingencies and commitments | 8 | - | - |
| NET ASSETS | | 102,229,926 | 85,688,903 |
| SHAREHOLDERS' EQUITY | | | |
| SHARE CAPITAL | | 150,000,000 | 150,000,000 |
| ACCUMULATED LOSS | | (47,770,074) | (66,381,518) |
| UNREALISED APPRECIATION ON REMEASUREMENT OF MARKETABLE SECURITIES | | - | 2,070,421 |
| | | 102,229,926 | 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 April 2003.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Profit & Loss Account (un-audited)
for the quarter and period ended 31 March 2003

| | Note | 2003 | | 2002 | |
|---|------|---------------------------|--------------------------|---------------------------|--------------------------|
| | | Quarter ended 31 March | Year to date 31 March | Restated | |
| | | | | Quarter ended 31 March | Year to date 31 March |
| | | Rupees | Rupees | Rupees | Rupees |
| INCOME | | | | | |
| SALE OF MARKETABLE SECURITIES | | 116,697,517 | 1,050,920,723 | 837,591,942 | 988,398,478 |
| COST OF SALE OF MARKETABLE SECURITIES | | 108,245,643 | 1,029,070,034 | 834,566,602 | 985,044,477 |
| CAPITAL GAIN ON SALE OF MARKETABLE SECURITIES | | 8,451,874 | 21,850,689 | 3,025,340 | 3,354,001 |
| LOSS DUE TO CHANGE IN FAIR VALUE OF MARKETABLE SECURITIES | 4 | (8,349,323) | (7,484,847) | (7,899,947) | (7,035,471) |
| OTHER INCOME | 6 | 1,900,478 | 5,818,218 | 2,618,157 | 7,140,575 |
| | | 2,003,029 | 20,184,060 | (2,256,450) | 3,459,105 |
| OPERATING EXPENSES | | | | | |
| ADMINISTRATIVE EXPENSES | | 710,447 | 1,696,918 | 308,815 | 435,996 |
| REMUNERATION OF INVESTMENT ADVISER | | 517,964 | 1,533,449 | 599,068 | 1,392,828 |
| FINANCIAL EXPENSES | | - | 123,327 | - | - |
| | | 1,228,411 | 3,353,694 | 907,883 | 1,828,824 |
| PROFIT/(LOSS) BEFORE TAXATION | | 774,618 | 16,830,366 | (3,164,333) | 1,630,281 |
| PROVISION FOR TAXATION | | (93,149) | (289,343) | (128,729) | (366,134) |
| PROFIT/(LOSS) AFTER TAXATION | | 681,469 | 16,541,023 | (3,293,062) | 1,264,147 |
| EARNING/(LOSS) PER SHARE- BASIC | | 0.05 | 1.10 | (0.22) | 0.08 |

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement (un-audited)
for the period ended 31 March 2003

| | 31 March 2003 | 31 March 2002 |
|--|------------------|------------------|
| | Rupees | Rupees |
| | | Restated |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 16,830,366 | 1,630,281 |
| Adjustment for: | | |
| Loss due to change in value of marketable securities | 7,484,847 | 7,035,471 |
| Operating profit before working capital changes | 24,315,213 | 8,665,752 |
| (Increase)/decrease in: | | |
| Marketable securities | (10,992,609) | (6,771,465) |
| Dividend receivable | (1,677,920) | (2,088,078) |
| Security Deposits | 150,000 | - |
| Accounts receivable | (2,891,843) | (3,705,319) |
| | (15,412,372) | (12,564,862) |
| Increase/(decrease) in: | | |
| Due to investment adviser | 84,217 | (360,422) |
| Accounts payable | (9,447,131) | (143,858) |
| | (9,362,914) | (504,280) |
| NET CASH USED IN OPERATING ACTIVITIES | (460,073) | (4,403,390) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (78) | (274) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (78) | (274) |
| NET DECREASE IN BANK BALANCES | (460,151) | (4,403,664) |
| BANK BALANCES AT THE BEGINNING OF THE PERIOD | 3,912,612 | 6,591,617 |
| BANK BALANCES AT THE END OF THE PERIOD | 3,452,461 | 2,187,953 |

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Statement of Changes in Equity (un-audited)
for the period ended 31 March 2003

| | 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 |
| Profit reported for the period ended 31 March 2002 | - | - | 9,893,504 | 9,893,504 |
| Effect of change in accounting policy as applied in 30 June 2002 | - | 5,728,956 | (8,629,357) | (2,900,401) |
| Restated profit for the period ended 31 March 2002 | - | 5,728,956 | 1,264,147 | 6,993,103 |
| Balance as on 31 March 2002 | 150,000,000 | 5,728,956 | (61,073,081) | 94,655,875 |
| 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 | 150,000,000 | - | (64,311,097) | 85,688,903 |
| Loss reported for the 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 |
| Profit for the quarter ended 31 March 2003 | - | - | 681,469 | 681,469 |
| Balance as on 31 March 2003 | 150,000,000 | - | (47,770,074) | 102,229,926 |

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Distribution Statement (un-audited)
for the period ended 31 March 2003

| | 2003 Rupees | 2002 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 the period | 16,541,023 | (10,269,803) |
| | 18,611,444 | (10,269,803) |
| Accumulated Loss Carried Forward | (47,770,074) | (72,607,031) |

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

Notes to the Accounts (un-audited)

for the period ended 31 March 2003

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 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 quarterly 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/ID/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 third quarter and for the period ended 31 March 2003 would have been lower by Rs. 0.508 million and Rs. 6.22 million respectively.

4 MARKETABLE SECURITIES

| Name of Company | BALANCE AS AT 31 MARCH 2003 | | | PERCENTAGE OF INVESTMENT IN RELATION TO | |
|---|----------------------------------|------------------|-----------------|---|------------------------------------|
| | No. of Shares/ Certificate | At Book Value | Market Value | Own net Assets* | Paid-up Capital (Face Value) |
| | RUPEES | | | | |
| I.C.P.S.E.M.F | 82,500 | 3,074,326 | 3,250,500 | 0.03 | 0.00 |
| First Capital Securities Corp. Ltd. | 300 | 1,949 | 2,400 | 0.00 | 0.00 |
| Muslim Commercial Bank Ltd. | 50,000 | 2,189,500 | 1,676,250 | 0.02 | 0.00 |
| National Bank of Pakistan | 160,000 | 4,724,601 | 4,260,000 | 0.05 | 0.00 |
| International General Insurance Co. of Pakistan Ltd. | 20,194 | 1,465,074 | 2,150,156 | 0.01 | 0.01 |
| Shaheen Insurance Co. Ltd. | 607,987 | 3,328,790 | 7,052,649 | 0.03 | 0.04 |
| Adamjee Insurance Co. Ltd. | 12 | 632 | 539 | 0.00 | 0.00 |
| Nishat Mills Ltd. | 50,900 | 1,057,074 | 875,480 | 0.01 | 0.00 |
| Attock Cement Pakistan Ltd. | 50,000 | 1,028,000 | 751,250 | 0.01 | 0.00 |
| Maple Leaf Cement Factory Ltd. | 95,000 | 834,101 | 691,125 | 0.01 | 0.00 |
| Pakland Cement Ltd. | 41,512 | 211,711 | 206,522 | 0.00 | 0.00 |
| Hub Power Co. Ltd. | 300,000 | 12,395,074 | 10,365,000 | 0.12 | 0.00 |
| Kohinoor Energy Ltd | 65,000 | 1,569,373 | 1,543,750 | 0.02 | 0.00 |
| Pakistan State Oil Co. Ltd. | 35,000 | 8,400,678 | 7,153,125 | 0.08 | 0.00 |
| Pak Oil Fields Ltd. | 45,000 | 9,585,172 | 7,759,125 | 0.09 | 0.01 |
| National Refinery Ltd. | 31,000 | 3,507,217 | 2,515,650 | 0.03 | 0.01 |
| Pakistan Refinery Ltd. | 14,000 | 2,202,993 | 1,998,500 | 0.02 | 0.01 |
| Sui Northern Gas Pipelines Ltd. | 245,000 | 6,240,659 | 5,971,875 | 0.06 | 0.00 |
| Shell Pakistan Ltd. | 9,000 | 3,595,244 | 3,497,175 | 0.04 | 0.01 |
| Sazgar Engineering Works Ltd | 501,500 | 10,431,200 | 4,463,350 | 0.10 | 0.15 |
| Dewan Farooq Motors Ltd. | 75,000 | 951,300 | 898,125 | 0.01 | 0.00 |
| Honda Atlas Cars Pakistan Ltd. | 10,000 | 606,614 | 548,750 | 0.01 | 0.00 |
| Indus Motor Company Ltd. | 32,500 | 2,002,785 | 1,776,125 | 0.02 | 0.00 |
| Pakistan Telecommunication Co. Ltd. "A" | 226,700 | 5,798,470 | 5,474,805 | 0.06 | 0.00 |
| Telecard Ltd. | 75,000 | 1,250,010 | 1,215,000 | 0.01 | 0.00 |
| WorldCALL Communications Ltd. | 679,700 | 8,640,983 | 8,428,280 | 0.08 | 0.01 |
| Searl Pak Ltd | 45,000 | 795,834 | 752,625 | 0.01 | 0.00 |
| FFC-Jordan Fertilizer Co. Ltd. | 125,000 | 1,655,420 | 1,412,500 | 0.02 | 0.00 |
| I.C.I. Pakistan Ltd. | 25,000 | 1,522,595 | 1,243,125 | 0.01 | 0.00 |
| Wazir Ali Industries Ltd | 214,513 | 1,952,068 | 3,088,987 | 0.02 | 0.03 |
| Unilever Pakistan Ltd. (Formerly Lever Brothers Pakistan Ltd.) | 476 | 426,972 | 628,320 | 0.00 | 0.00 |
| Nestle Milkpak Ltd. | 78 | 14,818 | 15,834 | 0.00 | 0.00 |
| Packages Ltd. | 178 | 13,786 | 16,016 | 0.00 | 0.00 |
| Treet Corporation Ltd. | 8,477 | 510,739 | 1,639,452 | 0.00 | 0.01 |
| Zulfikar Industries Ltd. | 100,000 | 1,450,000 | 2,685,000 | 0.01 | 0.04 |
| Diamond Industries Ltd. | 43,500 | 282,750 | 239,250 | 0.00 | 0.00 |
| Bolan Casting Ltd. | 2,000 | 100,450 | 87,500 | 0.00 | 0.00 |
| Total | | 103,818,962 | 96,334,115 | | |
| Net loss on remeasurement of investments | | (7,484,847) | - | | |
| | | 96,334,115 | 96,334,115 | | |

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

| | | |
|------|---|-----------------------------|
| | | 31 March 2003 |
| 5. | DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS (PRIVATE) LIMITED - AN ASSOCIATED COMPANY | Rupees |
| | Two percent of net assets 5.1 | 1,533,449 |
| 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 | 96,334,115 |
| | Accounts receivable | 5,182,507 |
| | Security deposit | 150,000 |
| | Cash and bank balances | 3,452,460 |
| | | 105,119,082 |
| | LIABILITIES | |
| | Due to Investment Adviser | 1,833,650 |
| | Accounts payable | 391,113 |
| | Provision for taxation | 664,393 |
| | | 2,889,156 |
| | NET ASSETS | 102,229,926 |
| | Remuneration @ 2% of net assets (for nine months) | 1,533,449 |
| | | 31 March 2003 31 March 2002 |
| 6. | OTHER INCOME | Rupees Rupees |
| | Dividend income | 5,786,866 7,114,378 |
| | Mark-up on bank accounts | 31,352 19,122 |
| | Miscellaneous income | - 7,075 |
| | | 5,818,218 7,140,575 |
| 7. | TAXATION | |
| | The company's tax assessments have been finalized upto the DCIT level upto and including the assessment year 2002-2003. The DCIT has raised demand aggregating Rs. 820,725/- for the assessment years 1998-99 to 2002-03, which are being contested at the appellate level. | |
| 8. | CONTINGENCIES AND COMMITMENTS | |
| | There are no contingencies for which the company may be liable | |
| | | 31 March 2003 31 March 2002 |
| 9. | TRANSACTIONS WITH ASSOCIATED COMPANY | Rupees Rupees |
| | Investment advisory fee | 1,533,449 1,392,828 |
| 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 March 2002. 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