

First Capital Mutual Fund Limited



**HALF YEARLY ACCOUNTS
(Un-Audited)**

31 DECEMBER 2004

First Capital Mutual Fund Limited





COMPANY INFORMATION

Board of Directors

Salmaan Taseer (Chairman)
M. Jafar Khan (Chief Executive Officer)
Sardar Ali Wattoo
Muhammad Ashraf Ali
Muhammad Shuaib Yousaf
Muhammad Naveed Tariq
Ahmad Bilal *

Chief Financial Officer
Syed Kashan Kazmi

Audit Committee

Muhammad Shuaib Yousaf (Chairman)
Sardar Ali Wattoo (Member)
Muhammad Naveed Tariq (Member)

Company Secretary
Ahmad Bilal

Investment Committee

Salmaan Taseer (Chairman)
M. Jafar Khan (Member)
Iqbal Latif (Member)
Syed Kashan Kazmi (Member)

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Adviser

Rehman Saleem & Tarar
Advocates

Custodian
Crescent Commercial Bank Limited

Registered Office / Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 5757591-4
Fax: (042) 5757590, 5877920

Investment Advisers
First Capital Investments Limited
103-C/II, Gulberg-III, Lahore

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor, Modern Motors House,
Beaumont Road Karachi
☎ (021) 5689021

* The Company has already filed an application with Securities and Exchange Commission of Pakistan for approval of appointment of Mr. Ahmad Bilal as a Director of the





DIRECTORS' REVIEW

The Directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the reviewed accounts of the Company for the first half ended 31 December 2004.

Company's Performance

During the period under review, the Company recorded a profit of Rs 4.5 million as against a profit of Rs 6.5 million for the first six months ended 31 December 2003. The Net Asset Value (NAV) per share increased by 2.8% to Rs 8.2 as on 31 December 2004 from Rs 7.9 at the end of the last fiscal.

In the same period, the KSE index witnessed a broad based rally, with the KSE-100 Index rising 17.8% during Jul-Dec 2004. Reason for the lower performance of the Fund was the restructuring of investment portfolio undertaken. In order to improve the overall liquidity of the portfolio as well as to take advantage of improving fundamentals of selected sectors, some stocks were liquidated in order to utilize these funds in better investment opportunities.

Future outlook

The current outlook on the market is extremely positive as the macro-economic state of the country continues to remain healthy. Furthermore, favorable fundamental developments in most of the key sectors will continue to drive investor sentiment. Revival of the privatization program has re-ignited interest in state-run entities. Strong corporate earnings growth in all key sectors, i.e. Oil and Gas related sectors, Textile, Cement are expected to translate into higher valuations.

We are confident that due to reorganization of the portfolio, we will be able to offer better returns to our shareholders in the periods ahead.

The Directors wish to thank all the shareholders and members stock exchanges for the commitment and trust reposed in them. Furthermore, the Directors place on record their appreciation for Securities and Exchange Commission of Pakistan's valuable support and guidance.

Board

For and on behalf of the





REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed Balance Sheet of **First Capital Mutual Fund Limited** as at **December 31, 2004** and the related Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Distribution Statement together with notes forming part thereof (here in after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarter ended December 31, 2004 and 2003 have not been reviewed as we are only required to review the cumulative figures for the half year ended December 31, 2004.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and this 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 annexed financial statements are not presented fairly, in all material respect in accordance with approved accounting standards as applicable in Pakistan.

Place : Lahore
Date : February 26, 2005

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS



BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	(Un-Audited) 31 December 2004 Rupees	(Audited) 30 June 2004 Rupees
ASSETS			
NON CURRENT ASSETS			
Long term deposits		75,000	75,000
CURRENT ASSETS			
Marketable Securities	5	115,482,137	114,861,720
OTHER ASSETS			
Dividend and other receivables		1,451,753	1,528,889
Bank balances		16,530,628	6,246,590
		17,982,381	7,775,479
TOTAL ASSETS		133,464,518	122,712,199
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company	6	1,271,900	2,148,636
Creditors, accrued and other liabilities		8,621,606	1,436,760
Provision for taxation		581,799	610,027
TOTAL LIABILITIES		10,475,305	4,195,423
NET ASSETS		123,064,213	118,516,776
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
35,000,000(June 30, 2004: 35,000,000)			
Ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		150,000,000	150,000,000
Accumulated loss		(26,935,787)	(31,483,224)
		123,064,213	118,516,776
CONTINGENCIES AND COMMITMENTS	7	-	-

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

First Capital Mutual Fund Limited



PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	SIX MONTHS ENDED		THREE MONTHS ENDED	
Note	31, Dec 2004	31, Dec 2003	31, Dec 2004	31, Dec 2003
	Rupees	Rupees	Rupees	Rupees
INVESTMENT INCOME				
(Loss)/Gain from transactions in marketable securities	(1,770,619)	3,720,498	(2,585,769)	(17,758,141)
Dividend income	2,605,250	2,045,582	1,859,000	1,581,825
Other income	188,340	45,679	169,720	34,100
	<u>1,022,971</u>	<u>5,811,759</u>	<u>(557,049)</u>	<u>(16,142,217)</u>
Unrealized gain on investment in marketable securities	5,657,011	3,915,088	9,266,850	22,153,558
	<u>6,679,982</u>	<u>9,726,847</u>	<u>8,709,801</u>	<u>6,011,342</u>
OPERATING EXPENSES				
Administrative expenses	837,814	2,071,157	250,259	749,657
Remuneration of investment adviser 6	1,164,468	1,026,985	582,039	465,928
	<u>2,002,282</u>	<u>3,098,142</u>	<u>832,298</u>	<u>1,215,585</u>
PROFIT BEFORE TAXATION	<u>4,677,700</u>	<u>6,628,705</u>	<u>7,877,503</u>	<u>4,795,756</u>
PROVISION FOR TAXATION	<u>(130,263)</u>	<u>(102,279)</u>	<u>(130,263)</u>	<u>(79,033)</u>
PROFIT AFTER TAXATION	<u>4,547,437</u>	<u>6,526,426</u>	<u>7,747,240</u>	<u>4,716,723</u>
ACCUMULATED LOSS - BROUGHT FORWARD	<u>(31,483,224)</u>	<u>(52,625,179)</u>	<u>(34,683,027)</u>	<u>(50,815,476)</u>
ACCUMULATED LOSS	<u>(26,935,787)</u>	<u>(46,098,753)</u>	<u>(26,935,787)</u>	<u>(46,098,753)</u>
EARNINGS PER SHARE- BASIC	<u>0.30</u>	<u>0.44</u>	<u>0.52</u>	<u>0.31</u>

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR

First Capital Mutual Fund Limited



CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	SIX MONTHS ENDED	
	31 December 2004	31 December 2003
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,677,700	6,628,705
Adjustment for:		
(Gain) due to change in fair value of marketable securities	(5,657,011)	(3,915,089)
	<u>(5,657,011)</u>	<u>(3,915,089)</u>
Operating profit before working capital changes	(979,311)	2,713,616
(Increase)/decrease in assets		
Listed securities	5,036,594	5,783,465
Dividend and other receivable	127,686	14,649,793
	<u>5,164,280</u>	<u>20,433,258</u>
Increase/(decrease) in current liabilities		
Due to investment adviser	(876,736)	(1,011,400)
Creditors, accrued and other liabilities	7,184,846	4,390,404
	<u>6,308,110</u>	<u>3,379,004</u>
Net cash generated from operating activities	<u>10,493,079</u>	<u>26,525,877</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(36,533,103)
Tax paid	(209,041)	(40,569)
Net cash used in financing activities	<u>(209,041)</u>	<u>(36,573,672)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>10,284,038</u>	<u>(10,047,795)</u>
Cash and Cash Equivalents at the beginning of the period	6,246,590	19,752,436
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>16,530,628</u>	<u>9,704,641</u>

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

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR

First Capital Mutual Fund Limited



**DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	SIX MONTHS ENDED	
	31 December 2004	31 December 2003
	Rupees	Rupees
Accumulated loss brought forward as of July 01,	(31,483,224)	(52,625,179)
Profit for the half year	4,547,437	6,526,426
Accumulated loss carried forward	<u>(26,935,787)</u>	<u>(46,098,753)</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 HALF YEAR ENDED 31 DECEMBER 2004**

	Share Capital	Accumulated (loss)	Total
	Rupees	Rupees	Rupees
Balance as on 30 June 2003	150,000,000	(52,625,179)	97,374,821
Profit for the half year ended 31 December 2003	-	6,526,426	6,526,426
Balance as on 31 December 2003	<u>150,000,000</u>	<u>(46,098,753)</u>	<u>103,901,247</u>
Balance as on 30 June 2004	150,000,000	(31,483,224)	118,516,776
Profit for the half year ended 31 December 2004	-	4,547,437	4,547,437
Balance as on 31 December 2004	<u>150,000,000</u>	<u>(26,935,787)</u>	<u>123,064,213</u>

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

LAHORE CHIEF EXECUTIVE DIRECTOR

First Capital Mutual Fund Limited



**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

1. First Capital Mutual Fund Limited (the company) 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 company commenced its operations on March 14, 1995. The company is listed in 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 (Established and Regulation) Rules, 2003. However, the said repeal does not affect the existing incorporation or registration license of an NBFC registered or licensed under any rules or notifications now repealed. The object of the company is to carry on the business of a close-ended mutual fund and to invest its assets in securities that are listed or proposed to be listed on the stock exchange.

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

- These accounts are unaudited 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 accounts have been prepared in accordance with the requirements of International Accounting Standard-34 "Interim Financial Reporting" and have been reviewed by the auditors as required by the Code of Corporate Governance.
- Accounting policies adopted for preparation of these half yearly accounts are the same as these applied in the preparation of the annual accounts of the company for the year ended June 30, 2004, except for the following:

Dividend is recognized as a liability in the period in which it is declared. Upto previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for the issue, were recorded as a liability.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated. Upto previous year, appropriations made after the balance sheet date but before the financial statements were authorized for issue, were recorded as reserves. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

However, above change in accounting policy has no financial effect on presented financial statements.

5. MARKETABLE SECURITIES

NAME OF COMPANY	NO OF SHARES/CERTIFICATES					BALANCE AS AT 31, DECEMBER 2004					PERCENTAGE IN RELATION TO			
	Opening	Purchase	Bonus/ Right	Sales	Closing Balance	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net assets			No. of Shares of Investee Company	Total Investment
										At Cost	Market Value	Company		
														Value
Investment Companies / Banks														
First Capital Equities Limited	400,000	-	-	-	400,000	5,576,000	23,600,000	23,600,000	-	4.53	19.18	6.02	1.67	20.44
Jahangir Saddique & Co.	54,800	8,400	-	21,600	41,600	3,941,683	3,656,781	3,658,720	1,939	3.20	2.97	4.26	0.12	3.17
P.I.C.I.C	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-
Commercial Banks														
National Bank of Pakistan	-	170,000	-	70,000	100,000	7,905,530	7,905,530	8,035,000	126,470	6.43	6.53	8.54	0.02	6.96
Bank of Punjab Ltd.	-	7,500	1,500	9,000	50,000	2,935,860	2,935,860	2,935,000	(860)	2.39	2.39	3.17	0.01	2.54
Muslim Commercial Bank Ltd.	-	150,000	-	100,000	50,000	2,935,860	3,935,600	4,194,750	259,151	3.20	3.41	4.25	0.05	3.63
Union Bank Ltd	-	210,000	-	105,000	105,000	3,935,600	-	-	-	-	-	-	-	-
Askari Commercial Bank Ltd	-	145,000	-	145,000	-	-	-	-	-	-	-	-	-	-
Insurance Companies														
Shahsan Insurance Co. Ltd.*	785,987	-	-	785,987	-	-	-	-	-	-	-	-	-	-
Adampore Insurance Co. Ltd.	75,000	-	-	-	75,000	4,624,740	4,624,740	4,920,000	295,260	3.76	4.00	5.00	0.09	4.26
New Jubilee Life Insurance Co. Ltd. (Formerly Commercial Union Life Assurance Ltd.)	44,500	-	-	-	44,500	1,313,422	1,157,000	1,103,600	(53,400)	1.07	0.90	1.42	0.07	0.96
Textile Weaving														
Sammi Textile Mills Ltd.	130,500	-	-	130,500	-	-	-	-	-	-	-	-	-	-
Textile Composit														
Nishat Mills Ltd.	-	122,500	-	122,500	-	-	-	-	-	-	-	-	-	-
Nishat Churian Ltd.	-	69,500	-	5,000	64,500	5,370,309	5,370,309	6,385,500	1,015,191	4.37	5.19	5.80	0.15	5.53
Kohinoor Industries Ltd.	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Sui Cotton Mills Ltd.	-	35,000	-	5,000	30,000	1,428,729	1,428,729	1,635,000	206,271	1.16	1.33	1.54	0.17	1.42
Cement														
Gharbwal Cement Co. Ltd.	-	28,500	-	28,500	-	-	-	-	-	-	-	-	-	-
Pak Land Cement Ltd.	41,512	-	-	-	41,512	228,316	1,305,552	915,340	(390,212)	0.19	0.74	0.25	0.05	0.79
D.G.Khan Cement Ltd.	-	190,000	-	65,000	125,000	6,890,238	6,890,238	6,843,750	(46,488)	5.60	5.56	7.44	0.07	5.93
Lucky Cement Company Ltd.	-	225,000	-	50,000	175,000	6,989,465	6,989,465	7,113,750	124,285	5.68	5.78	7.55	0.07	6.16
Refinery														
National Refinery Ltd.	8,100	-	-	4,600	3,500	636,688	646,975	1,062,950	415,975	0.52	0.86	0.69	0.01	0.92
Oil & Gas Marketing Companies														
Pakistan State Oil Ltd.	35,001	-	-	25,001	10,000	2,790,786	2,567,500	2,867,500	300,000	2.27	2.33	3.02	0.01	2.48
Sui Northern Gas Co. Ltd.	-	303,400	-	255,000	48,400	2,727,379	2,727,379	2,860,440	133,061	2.22	2.33	2.95	0.01	2.48
Sui Southern Gas Co. Ltd.	-	65,000	-	65,000	-	-	-	-	-	-	-	-	-	-
Oil & Gas Exploration Companies														
Pak Oil Fields Ltd.	30,000	25,000	-	35,000	20,000	4,888,531	4,230,218	4,932,000	701,782	3.98	4.01	5.29	0.02	4.27
Oil & Gas Development Co. Ltd.	50,000	135,000	-	115,000	70,000	4,832,250	4,838,379	5,246,500	408,121	3.93	4.26	5.22	0.00	4.54
Pakistan Petroleum Ltd.	-	47,000	-	22,000	25,000	3,154,958	3,154,958	3,603,750	448,793	2.56	2.93	3.41	0.00	3.12

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First Capital Mutual Fund Limited



First Capital Mutual Fund Limited



Technology & Communication	250,000	200,000	-	250,000	200,000	8,068,640	8,338,700	8,840,000	501,300	6.56	7.19	8.72	0.01	7.85
Pakistan Telecommunication Co. Ltd.	-	50,000	-	-	50,000	828,857	828,857	880,000	61,143	0.67	0.72	0.90	0.10	0.77
Calimatte Telips Telecom	85,125	-	-	-	85,000	1,260,880	1,207,000	1,062,500	(144,500)	1.02	0.86	1.36	0.05	0.92
WorldCALL Communications Ltd.*	100,000	-	-	-	100,000	1,317,700	1,205,000	1,000,000	(205,000)	1.07	0.81	1.42	0.07	0.87
WorldCALL Broadband Ltd.*														
Fertilizer														
Erigo Chemicals Ltd.	25,000	-	-	25,000	-	-	-	-	-	-	-	-	-	-
Fauli Fertilizer Co. Ltd.	90,000	-	11,250	65,000	36,250	3,815,730	3,746,358	5,055,063	1,308,705	3.10	4.11	4.13	0.01	4.38
Pharmaceutical														
Glaxo Smithkline	20,000	-	3,900	500	23,400	4,291,828	4,055,999	4,235,400	179,401	3.49	3.44	4.64	0.03	3.67
Paper & Board														
Padagases Ltd.	12,500	-	-	-	12,500	2,782,500	2,475,000	2,485,625	10,625	2.26	2.02	3.01	0.03	2.15
Total	2,573,275	2,464,800	16,650	3,118,56	1,936,162	92,552,618	109,825,126	115,482,137	5,657,011					

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These are associated companies

- 5.1 Net assets are 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 company) 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 the reference to the number of shares held in the investee company.
- 5.4 The company's investment in First Capital Equities Limited 4.53% of net assets on cost basis and 19.18% of net assets on market value basis as at December 31, 2004 respectively. The Rule 49(3) of the Rules defines the maximum limit of investment of the mutual fund in each scrip but is silent in reference to the financial effect of the changes in the market value when an investment is remeasured in fair value as per IAS 39. Management's view, supported by a legal opinion, is that the aforementioned rule envisages application of Rule 49(3) at the time of investment and on an ongoing basis. It is meant to ensure that at any time the cost of investment in a particular scrip does not exceed the net assets value limit mentioned in the rule and therefore no violation of Rule 49(3) of the Rules.



**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

SIX MONTHS ENDED

31 December 2004	31 December 2003
Rupees	Rupees

6. REMUNERATION OF INVESTMENT ADVISOR

1,164,468	1,026,985
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The remuneration of the Investment Adviser has been calculated as required under rule 53 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which requires that investment adviser is entitled to a remuneration @ 2% of the average annual net assets of the company.

7 CONTINGENCIES AND COMMITMENTS

Contingencies:

There is no change in contingencies from the last annual audited financial statements for the year ended June 30, 2004

Commitments:

Nil (June 30, 2004: nil)

8. 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

31, December 2004	31, December 2003
Rupees	Rupees

Transactions of shares

- Purchases	38,887,600	25,674,715
- Sales	57,016,745	55,586,640
- Commission paid	97,765	173,308
- Fee paid to investment advisor- First Capital Investments Ltd.	1,164,468	1,026,985

9 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on February 26, 2005 by the Board of Directors of the company.

10 GENERAL

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR

