

*First Capital Mutual Fund Limited*



*First Capital Mutual Fund Limited*



**CONDENSED FINANCIAL REPORT  
FOR THE PERIOD ENDED**

**MARCH 31, 2009  
(Un-Audited)**



## COMPANY INFORMATION

Board of Directors	Salmaan Taseer (Chairman) Kamran Hafeez (CEO) Omer Subhan Salamat Muhammad Naveed Tariq Mahmood Ali Athar Muhammad Musharraf Khan Ahmad Bilal
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Ahmad Bilal Muhammad Naveed Tariq Muhammad Musharraf Khan
Company Secretary	Amir Mahmood
Investment Committee	Kamran Hafeez Syed Kashan Kazmi Pardeep Kumar
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Adviser	Mazhar Law Associates Advocates
Custodian	Central Depository Company of Pakistan Limited (CDC)
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) 111-000-322





## DIRECTORS' REVIEW

The Directors of First Capital Mutual Fund Limited ("the Fund") are pleased to present the interim financial statements for the nine months ended March 31, 2009.

### Performance Review

#### Operating Results

The operating results for the nine months ended March 31, 2009 are summarized as follows:

All figures in Rs.

	March 31, 2009	March 31, 2008
Realized capital (loss)/gain on listed securities	(76,909,703)	16,022,086
Un-realized (loss)/gain on listed securities	(73,929,405)	1,353,571
Dividend income	9,709,689	10,766,608
Profit on bank deposits	1,053,875	2,431,315
Operating expenses	4,779,718	8,018,968
Net (loss)/profit	(145,224,118)	21,703,652
Earnings per share	(4.84)	0.72
	March 31, 2009	June 30, 2008
Net assets value per share	6.41	11.25
KSE-100 Index	6,860	12,289

During the nine months of FY-09, the Fund incurred loss of Rs. 145.2 million against a profit after tax of Rs.21.7 million in the corresponding period last year. This negative performance of the Fund was due to uncontrollable factors such as un-precedent and sharp decline in stock markets in Pakistan as well as all over the world, depleted foreign currency reserve and negative balance of payment of the country, impact of global financial crisis and economic recession. During the nine months period, the Fund incurred realized and unrealized loss of Rs. 150.84 million as compared to realized and unrealized gain of Rs 17.38 million in the corresponding period last year. This performance is not an exception relative to its industry and benchmark KSE-100 index as the index, eroded by 44% during the period amid at political instability, frail economic numbers and grim outlook of global financial system. During the period, dividend income remained constant despite the imploding performance of the markets which showed the prudent exposure in various sectors and scrip.

During the three months ended 31 March 2009, stock market showed consistent recovery due to improved political stability in the country and accordingly your Fund showed significant recovery and earned a profit after tax of Rs.41.04 million as compared to profit after tax of Rs. 34.32 million in the corresponding period last year. Although Earnings per Share (EPS) for the nine months period ended was negative Rs.4.84 however EPS for the third quarter was positive Rs. 1.37 showing considerable recovery of the losses incurred in the initial six months period of FY 09.

During the nine months period, Net Asset Value per share (NAV) of your Fund has decreased by 43% against the 44% negative return of benchmark KSE-100 index, whereas, NAV, during the quarter, increased from Rs. 5.04 as at 31 December 2008 to Rs. 6.41 as at 31 March 2009. The Fund has showed impressive performance during the current quarter by posting 27% return against the benchmark return of 17%.



This performance is highly attributed to the prudent portfolio strategies and right exposure of scrips in the midst of systematic risk to exchange, period of extreme political, terrorism threats and financial crises.

### Market Outlook and Future Strategy

After stock market touched its lowest level, regulators and stakeholders including Government of Pakistan took encouraging steps for the revival of the capital market. Formation of NIT state enterprise fund, new E&P policy, relaxation in application of IAS 39, reduction in discount rate and KIBOR, political reconciliation have strengthened the foundations of the market. However, terror strikes remained a major threat to the political and economic stability of the country.

After entering into the IMF program, the top managers have implemented the prudent economic policies and as a result the plaguing economy has started to show the signs of recovery via indicators like stabilized currency, improved foreign exchange reserves, declined inflationary pressure, sustainable current and fiscal account deficit. Relaxation in the monetary policy due to expected declining inflation and revision of sovereign rating due to improved economic indicators will be the major stimulus to capital markets. As expected Pakistan has gained \$ 5.28 billion aid commitment from the "Friends of Pakistan Forum". The new US administration, along with all developed countries have adopted counter cycle strategies to get out of the global financial crisis. A mix of monetary and fiscal stimulus has been developed in this regard.

We have positive stance on market due to aforementioned factors, however, low foreign direct investment and worsening law and order situation may pose risk to this view. We will also carefully analyze the development of coming budget and may change exposure in various sectors in this regard.

Currently, we have a diversified portfolio with a strategic weight in banks, exploration and petroleum, refineries, oil and gas marketing companies, cement and technology and telecommunication etc. and expect to maintain these weights going forward.

During this nine months Period, Mr. Khawaja Khalil Shah has resigned from board of directors and Mr. Omer Subhan Salamat has been appointed as director of the Company in his place after the approval from Securities and Exchange Commission of Pakistan ("SECP").

During the period, SECP has promulgated the Non Banking Finance Companies and Notified Entities Regulations 2008 ("Regulations"). Your Company has applied for registration as a Notified Entity under Regulation 46 of the Regulations to SECP and approval is awaited.

### Acknowledgement

We are obliged to our shareholders for their support and confidence in the fund and would like to thank the SECP and the Stock Exchanges for their guidance and support.

For and on behalf of the Board

Lahore  
April 25, 2009

**Kamran Hafeez**  
Chief Executive Officer



**CONDENSED STATEMENT OF ASSETS & LIABILITIES  
AS AT MARCH 31, 2009**

	Note	(Un-Audited) March 31, 2009 Rupees	(Audited) June 30, 2008 Rupees
<b>Assets</b>			
<b>Non current asset</b>			
Long term deposit		137,500	137,500
<b>Current Assets</b>			
Investments at fair value through profit or loss	5	178,595,390	336,536,857
Dividend and other receivables	6	17,736,117	3,142,669
Bank balances		3,567,368	8,752,079
<b>Total assets</b>		<b>200,036,375</b>	<b>348,569,105</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to asset management company - an associated company	7	3,126,466	7,436,075
Trade and other payables		3,074,523	2,442,382
Provision for taxation		1,454,852	1,085,996
<b>Total liabilities</b>		<b>7,655,841</b>	<b>10,964,453</b>
<b>Net assets</b>		<b>192,380,534</b>	<b>337,604,652</b>
<b>Share capital and reserves</b>			
Authorized share capital 35,000,000 (2008: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		300,000,000	300,000,000
Accumulated (loss) / undistributed income		(107,619,466)	37,604,652
<b>Contingencies and commitments</b>	8	<b>192,380,534</b>	<b>337,604,652</b>
Net assets value per share		<b>6.41</b>	<b>11.25</b>

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

LAHORE

CHIEF EXECUTIVE

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DIRECTOR



**CONDENSED INCOME STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Note	Nine months ended		Three months ended	
		March 31, 2009 Rupees	March 31, 2008 Rupees	March 31, 2009 Rupees	March 31, 2008 Rupees
<b>Income</b>					
Capital (loss)/gain on listed securities		(76,909,703)	16,022,086	(53,813,828)	7,951,057
Unrealized (loss)/gain on listed securities	5	(73,929,405)	1,353,571	91,682,528	24,826,367
Dividend income		9,709,689	10,766,608	4,364,098	3,784,535
Profit on bank deposits		1,053,875	2,431,315	273,300	696,748
		<b>(140,075,544)</b>	<b>30,573,580</b>	<b>42,506,098</b>	<b>37,258,707</b>
<b>Operating expenses</b>					
Fee and subscription		438,823	349,412	69,172	97,898
Remuneration to the asset management company	6	3,126,466	5,638,231	833,418	1,957,959
Securities and transaction cost		622,330	1,501,884	364,813	440,652
Legal and professional charges		80,000	185,000	-	105,000
Custodian fee		77,663	247,112	21,172	78,578
Auditors' remuneration		110,000	95,000	25,000	10,000
Printing charges		323,250	-	54,314	-
Bank charges		1,186	2,330	601	465
		<b>4,779,718</b>	<b>8,018,968</b>	<b>1,368,490</b>	<b>2,690,552</b>
Net (loss)/profit before taxation		<b>(144,855,262)</b>	<b>22,554,612</b>	<b>41,137,608</b>	<b>34,568,155</b>
Provision for taxation		368,856	850,960	95,655	244,202
Net (loss)/profit after taxation		<b>(145,224,118)</b>	<b>21,703,652</b>	<b>41,041,953</b>	<b>34,323,953</b>
<b>Earnings per share - basic and diluted</b>	9	<b>(4.84)</b>	<b>0.72</b>	<b>1.37</b>	<b>1.14</b>

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

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DIRECTOR



**CONDENSED CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Nine months ended	
	March 31, 2009 Rupees	March 31, 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (loss)/profit before taxation	(144,855,262)	22,554,612
Adjustment for:		
Dividend income	(9,709,689)	(10,766,608)
Remuneration to asset management company	3,126,466	5,638,231
Unrealized loss due to change in fair value of listed securities	73,929,405	(1,353,571)
	<u>67,346,182</u>	<u>(6,481,948)</u>
<b>Operating (loss) / income before working capital changes</b>	<b>(77,509,080)</b>	<b>16,072,664</b>
(Increase)/decrease in current assets		
Investments in listed securities	84,012,062	1,252,008
Other receivables	(13,136,397)	(2,243,909)
	<u>70,875,665</u>	<u>(991,901)</u>
(Decrease)/increase in current liabilities		
Trade and other payables	632,481	(363,153)
<b>Cash (used in)/generated from operating activities</b>	<b>(6,000,934)</b>	<b>14,717,610</b>
Remuneration paid to asset management company	(7,436,075)	(6,772,792)
Tax Paid	(131,653)	(483,043)
Dividend Received	8,384,291	9,749,947
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,184,371)</b>	<b>17,211,722</b>
<b>Cash flow from investing activities</b>		
Security deposit	-	(100,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(100,000)</b>
<b>Cash flow from financing activities</b>		
Dividend paid	(340)	(29,908,645)
<b>Net cash used in financing activities</b>	<b>(340)</b>	<b>(29,908,645)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,184,711)</b>	<b>(12,796,923)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,752,079</b>	<b>50,812,785</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,567,368</b>	<b>38,015,862</b>

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

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DIRECTOR



**CONDENSED DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Nine months ended	
	March 31, 2009 Rupees	March 31, 2008 Rupees
Undistributed income brought forward	37,604,652	80,280,534
Net (loss)/profit for the period	(145,224,118)	21,703,652
Accumulated loss / undistributed profit carried forward	<u>(107,619,466)</u>	<u>101,984,186</u>

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

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DIRECTOR

**CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Share capital Rupees	Accumulated (loss)/un- appropriated income Rupees	Total Rupees
<b>Balance as at July 01, 2007</b>	300,000,000	80,280,534	380,280,534
Net profit for the nine months ended March 31, 2008	-	21,703,652	21,703,652
<b>Balance as at March 31, 2008</b>	<u>300,000,000</u>	<u>101,984,186</u>	<u>401,984,186</u>
<b>Balance as at July 01, 2008</b>	300,000,000	37,604,652	337,604,652
Net loss for the nine months ended March 31, 2009	-	(145,224,118)	(145,224,118)
<b>Balance as at March 31, 2009</b>	<u>300,000,000</u>	<u>(107,619,466)</u>	<u>192,380,534</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.

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DIRECTOR



**CONDENSED STATEMENT OF MOVEMENT IN EQUITY  
AND RESERVES - PER SHARE (UN-AUDITED)**  
FOR THE NINE MONTHS ENDED MARCH 31, 2009

	<u>Nine months ended</u>	
	<u>March 31, 2009</u>	<u>March 31, 2008</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>Net assets per share as at 01 July</b>	<b>11.25</b>	12.67
Net (loss) / income from transactions in listed securities	<b>(2.56)</b>	0.53
Unrealized loss on listed securities	<b>(2.46)</b>	0.05
Net profit for the period excluding net loss from sale of listed securities and unrealized loss on listed securities	<b>0.19</b>	0.13
Net loss for the period - per share	<b>(4.84)</b>	0.72
<b>Net assets per share as at 31 March</b>	<b>6.41</b>	13.39

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

LAHORE

CHIEF EXECUTIVE

DIRECTOR



**NOTES TO THE CONDENSED FINANCIAL  
STATEMENTS (UN-AUDITED)**  
FOR THE NINE MONTHS ENDED MARCH 31, 2009

**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 is registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Fund has submitted an application to the SECP for registration as Notified Entity under the regulation 46 of the Non Banking Finance Companies and Notified Entities Regulations, 2008. The object of the Fund is to carry on the business of a close end mutual fund and to invest its assets in securities, which are listed or unquoted securities unless an application for listing of such securities has been accepted by the stock exchanges.

The Fund has an agreement with First Capital Investment Limited ("FCIL"), an associated company, to provide asset management services. FCIL is duly licensed under the NBFC Rules to provide asset management services to closed end funds only. FCIL has been assigned rating of "AM4+" by Pakistan Credit Rating Agency (PACRA). The Fund has been assigned long term credit rating at "3 Star", while normal credit rating has been assigned at "1 Star" by PACRA.

Central Depository Company of Pakistan Limited is the custodian of the Fund.

**2 Basis of preparation**

This condensed interim financial statements is un-audited and have been prepared in accordance with the requirements of approved Accounting Standards as applicable in Pakistan relating to Interim Financial Reporting. This condensed interim financial statements does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2008.

The condensed interim financial statements is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984 and as required under Regulation 52 of the NBFC and Notified Entities Regulations, 2008 (NBFC Regulations) and Listing Regulations of Karachi and Lahore Stock Exchanges.

**3 Significant accounting policies**

Accounting policies adopted for the preparation of these condensed 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, 2008.

**4 Estimates**

The preparation of condensed 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, 2008.





	Un-audited March 31, 2009 Rupees	Audited June 30, 2008 Rupees
<b>6 Dividend and other receivables</b>		
Dividend receivable	3,285,149	1,959,751
Receivable on account of sale of shares - unsecured, considered good	13,161,564	-
Profit on bank deposits	161,597	159,264
Fee and subscription prepaid	-	27,500
Advance tax	1,127,807	996,154
	<u>17,736,117</u>	<u>3,142,669</u>

**7 Due to asset management company - an associated company**

Remuneration @ 2% of annual average net assets	7.1	<u>3,126,466</u>	<u>7,436,075</u>
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7.1 The remuneration of the asset management company, First Capital Investment Limited, an associated company, has been calculated as required under Rule 61 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, which entitles the asset management company to a remuneration @ 2% of the average annual net assets of the Fund.

**8 Contingencies and commitments**

There are no contingencies and commitments at the period end. (30 June 2008: nil).

Nine months ended	
Un-audited March 31, 2009	Un-audited March 31, 2008

**9 Earnings per share - basic and diluted**

(Loss)/profit attributable to ordinary shareholders	<b>Rupees (145,224,118)</b>	21,703,652
Weighted average number of shares	<b>Shares 30,000,000</b>	30,000,000
Earnings per share - basic	<b>Rupees (4.84)</b>	0.72

There is no dilutive effect on the basic earnings per share of the Fund.



**10 Transactions with related parties and connected persons**

The transactions with related parties and connected persons are as follows:

		Nine months ended	
		Un-audited March 31, 2009 Rupees	Un-audited March 31, 2008 Rupees
<b>Associates</b>			
Fee to asset management company	10.1	3,126,466	5,638,231
Fee paid to asset management company		<u>7,436,075</u>	<u>6,772,792</u>

10.1 Amount due to related party at the period end is disclosed in note 8 of this condensed interim financial statements.

**11 Date of authorization for issue**

This condensed interim financial statements was authorized for issue on 25 April 2009 by the board of directors.

**12 General**

Figures have been rounded off to the nearest rupee.



**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE INVESTMENT COMPANY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

	Nine months ended		Quarter ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Rupees	Rupees	Rupees	Rupees
<b>Income</b>				
Investment advisory fee	4,647,404	8,027,714	1,227,481	2,785,281
Profit on bank deposits	4,110,596	1,456	1,703,339	-
Unrealized loss on remeasurement of investments at fair value through profit or loss	(2,805,029)	(603,232)	(1,908,798)	(86,176)
<b>OPERATING PROFIT</b>	<b>5,952,971</b>	<b>7,425,938</b>	<b>1,022,022</b>	<b>2,699,105</b>
<b>EXPENDITURES</b>				
Operating expenses	10,160,742	9,980,109	2,808,776	2,702,313
Finance cost	80,836	-	27,362	-
Other charges	25,676	7,130	25,676	428
<b>LOSS BEFORE TAXATION</b>	<b>(4,314,283)</b>	<b>(2,561,301)</b>	<b>(1,839,792)</b>	<b>(3,635)</b>
Taxation	(581,044)	(642,194)	-	53,033
<b>LOSS BEFORE TAXATION WITHOUT SHARE FROM ASSOCIATE</b>	<b>(3,733,239)</b>	<b>(1,919,107)</b>	<b>(1,839,792)</b>	<b>(56,668)</b>
Share of (loss)/profit from associate	(14,485,526)	2,255,461	4,113,761	3,456,815
Share of taxation from associates	36,886	85,096	9,566	24,420
	(14,522,412)	2,170,365	4,104,195	3,432,395
<b>(LOSS)/PROFIT AFTER TAXATION</b>	<b>(18,255,651)</b>	<b>251,258</b>	<b>2,264,403</b>	<b>3,375,727</b>
<b>Earnings per share- Basic and Diluted</b>	<b>(1.78)</b>	<b>0.07</b>	<b>0.21</b>	<b>0.89</b>

LAHORE

CHIEF EXECUTIVE

DIRECTOR

