



**QUARTERLY ACCOUNTS  
(UN-AUDITED)**

**30 SEPTEMBER 2004**



**COMPANY INFORMATION**

**Board of Directors**

Salmaan Taseer (Chairman)  
M. Jafar Khan \* (Chief Executive Officer)  
Lt. Gen. (R) Humayun Khan Bangash  
Muhammad Ashraf Ali  
Muhammad Shuaib Yousaf  
Muhammad Naveed Tariq  
Syed Kashan Kazmi

**Chief Financial Officer**  
Syed Kashan Kazmi

**Audit Committee**

Muhammad Shuaib Yousaf (Chairman)  
Lt. Gen. (R) Humayun Khan Bangash (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  
(formerly MashreqBank Pakistan Ltd.)

**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 is in process of filing an application with Securities and Exchange Commission of Pakistan for the approval of appointment of Mr. M. Jafar Khan as a Chief Executive Office/Director of the Company.



**DIRECTORS' REVIEW**

The Directors of First Capital Mutual Fund Limited ("the Company") are pleased to present the unaudited accounts of the Company for the first quarter ended 30 September 2004.

**Market Conditions**

During the period July-September 2004, the KSE index recorded its first negative quarterly return of 1.2% since March-June 2002. The decline in the KSE-100 index is attributable to the uncertainty prevalent following the imposition of Capital Value Tax (CVT) on purchase of shares. This resulted in sharply lower volumes witnessed at the exchange. Furthermore, inflationary pressures, a gradual rise in interest rates and pressure on the balance of payments and exchange rate resulted in dampening the momentum of the Karachi Stock Exchange.

**Company's Performance**

During the quarter under review, the Company recorded a loss of Rs 3.19 million as against a profit of Rs 1.8 million for the first three months ended 30 September 2003. The loss was primarily due to lower capital gains booked by the fund in anticipation of future dividend income from investments. Owing to the decline witnessed in the KSE-100 index during the quarter, the Net Asset Value (NAV) per share of the Company decreased 2.8% during the same period to Rs 7.68.

**Future Outlook**

Recently announced corporate results depicting strong earnings and payouts have failed to ignite positive momentum at the exchange. The market remains concerned about the gradual removal of Carry Over Transactions (COT) and a shift towards margin financing. Furthermore, signs of a gradual weakening in the overall macro-economic health as visible by rising inflationary and exchange rate pressures are a cause of concern. Nevertheless, we remain optimistic on the performance of the Company based on the investment opportunities available, strong earnings and payouts by blue chips and a generally healthy macro-economic environment.

The Directors wish to thank all the shareholders and member 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.

The shareholders in the Annual General Meeting of the Company held on October 30, 2004 have approved the placement of quarterly accounts of the Company on its website instead of circulating the same by post to the shareholders, subject to compliance of the Securities and Exchange Commission of Pakistan's circular no. 19 of 2004 dated 14 April 2004.

For and on behalf of the Board

Lahore  
30 October 2004

Salmaan Taseer  
Director

Muhammad Shuaib Yousaf  
Director



**BALANCE SHEET (UN-AUDITED)  
AS AT 30 SEPTEMBER 2004**

	Note	30 September 2004 Rupees	30 June 2004 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSET</b>			
Long Term Deposit		75,000	75,000
<b>CURRENT ASSETS</b>			
Investments	5	108,944,124	114,861,720
<b>OTHER ASSETS</b>			
Dividends and other receivables		1,359,873	1,528,889
Bank balances		10,407,149	6,246,590
		11,767,022	7,775,479
<b>TOTAL ASSETS</b>		<b>120,786,146</b>	<b>122,712,199</b>
<b>CURRENT LIABILITIES</b>			
Due to Investment Adviser - an associated company		2,731,065	2,148,636
Creditors, accrued and other liabilities		2,128,081	1,436,760
Provision for taxation		610,027	610,027
Proposed dividend		-	-
<b>TOTAL LIABILITIES</b>		<b>5,469,173</b>	<b>4,195,423</b>
<b>NET ASSETS</b>		<b>115,316,973</b>	<b>118,516,776</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital Authorized 35,000,000 (June 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		(34,683,027)	(31,483,224)
		115,316,973	118,516,776
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		

The annexed notes 1 to 9 form an integral part of these financial statements.

These accounts were authorized for issue by the Board of Directors of the Company on 30 October 2004.

These accounts have been authenticated by two directors of the Company, as allowed by section 241 (2) of Companies Ordinance, 1984, due to the non availability of the Chief Executive.

Lahore

Director

Director



**PROFIT & LOSS ACCOUNT (UN-AUDITED)**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	Note	Jul to Sep 2004 Rupees	Jul to Sep 2003 Rupees
<b>INVESTMENT INCOME</b>			
Capital Gain on sale of listed securities		815,150	21,478,639
Dividend income		746,250	463,757
Other income		18,620	11,579
		<u>1,580,020</u>	<u>21,953,975</u>
Unrealized loss due to change in fair value of Marketable Securities	5	(3,609,839)	(18,238,469)
		<u>(2,029,819)</u>	<u>3,715,506</u>
<b>OPERATING EXPENSES</b>			
Administrative expenses		587,555	1,321,500
Remuneration of investment adviser	6	582,429	561,057
		<u>1,169,984</u>	<u>1,882,557</u>
(LOSS) / PROFIT BEFORE TAXATION		<u>(3,199,803)</u>	<u>1,832,949</u>
PROVISION FOR TAXATION			
- Current year		-	23,246
(LOSS) / PROFIT FOR THE PERIOD		<u>(3,199,803)</u>	<u>1,809,703</u>
EARNINGS PER SHARE- BASIC		<u>(0.21)</u>	<u>0.12</u>

The annexed notes 1 to 9 form an integral part of these financial statements.

These accounts have been authenticated by two directors of the Company, as allowed by section 241 (2) of Companies Ordinance, 1984, due to the non availability of the Chief Executive.

Lahore

Director

Director



**CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	July to Sep 2004 Rupees	July to Sep 2003 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(3,199,803)	1,832,949
Adjustment for:		
Unrealized loss due to change in fair value of listed securities	3,609,839	18,238,469
	<u>3,609,839</u>	<u>18,238,469</u>
Operating profit before working capital changes	<u>410,036</u>	<u>20,071,418</u>
Decrease in Security Deposit	-	-
(Increase)/decrease in current assets:		
Listed securities	2,307,757	(25,870,794)
Dividends and other receivables	169,017	(1,369,859)
	<u>2,476,774</u>	<u>(27,240,653)</u>
Increase/(decrease) in current liabilities		
Due to investment adviser	582,429	561,057
Creditors, accrued and other liabilities	691,320	9,656
	<u>1,273,749</u>	<u>570,713</u>
<b>Net cash generated/(used) from operating activities</b>	<u>4,160,559</u>	<u>(6,598,522)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	-
Tax paid	-	(2,875)
<b>Net cash used in financing activities</b>	<u>-</u>	<u>(2,875)</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>4,160,559</u>	<u>(6,601,397)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>6,246,590</u>	<u>19,752,436</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>A</b> 10,407,149</u>	<u>13,151,039</u>

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

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Lahore

Director

Director



**DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004**

	<b>Jul to Sep 2004</b>	Jul to Sep 2003
	<u>Rupees</u>	<u>Rupees</u>
ACCUMULATED LOSS BROUGHT FORWARD	<b>(31,483,224)</b>	(52,625,179)
(LOSS) / PROFIT FOR THE PERIOD	<b>(3,199,803)</b>	1,809,703
ACCUMULATED LOSS CARRIED FORWARD	<b><u><u>(34,683,027)</u></u></b>	<u><u>(50,815,476)</u></u>

The annexed notes 1 to 9 form an integral part of these financial statements.

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Lahore

Director

Director

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004**

	<b>Share Capital Rupees</b>	<b>Accumulated loss Rupees</b>	<b>Total Rupees</b>
<b>Balance as on June 30, 2003</b>	<b>150,000,000</b>	<b>(52,625,179)</b>	<b>97,374,821</b>
Profit for the quarter ended September 30, 2003	-	1,809,703	1,809,703
<b>Balance as on September 30, 2003</b>	<b><u>150,000,000</u></b>	<b><u>(50,815,476)</u></b>	<b><u>99,184,524</u></b>
<b>Balance as on June 30, 2004</b>	<b>150,000,000</b>	<b>(31,483,224)</b>	<b>118,516,776</b>
Loss for the quarter ended September 30, 2004	-	(3,199,803)	<b>(3,199,803)</b>
<b>Balance as on September 30, 2004</b>	<b><u>150,000,000</u></b>	<b><u>(34,683,027)</u></b>	<b><u>115,316,973</u></b>

The annexed notes 1 to 9 form an integral part of these financial statements.

These accounts have been authenticated by two directors of the Company, as allowed by section 241 (2) of Companies Ordinance, 1984, due to the non availability of the Chief Executive.

Lahore

Director

Director



**NOTES TO THE ACCOUNTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 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 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. However, the said repeal does not affect the existing incorporation or registration or 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 an agreement with First Capital Investments Limited, an associated company, to provide investment advisory services. The custodian of the company is Crescent Commercial Bank Limited (formerly MashreqBank Pakistan Limited).

- 2 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.
- 3 These accounts have been prepared in accordance with the requirements of International Accounting Standard -34 "Interim Financial Reporting".
- 4 Accounting policies adopted for the preparation of these quarterly accounts are the same as those applied in the preparation of the annual accounts of the company for the year ended June 30, 2004.

## 5. MARKETABLE SECURITIES

NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES					BALANCE AS AT 30 SEPTEMBER 2004					PERCENTAGE IN RELATION TO					
	Opening	Purchase	Bonus/Right	Sales	Closing Balance	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net assets At Cost	Market Value		No. of Shares of Investee Company			
											At Cost	Market	Value	Company		
RUPEES																
<b>Closed-End Mutual Fund</b>																
PICIC Growth Fund	100,250	-	-	100,250	-	-	-	-	-	-	-	-	-	-	-	
<b>Investment Banks/Investment Companies</b>																
First Capital Equities Ltd.	400,000	8,400	-	13,200	400,000	23,600,000	23,600,000	-	4.84	20.47	1.67	6.49	21.66	6.49	3.71	
Jahangir Sadique & Co. Ltd.	54,800	-	-	50,000	4,702,733	4,395,170	4,045,000	(650,170)	4.08	3.51	0.14	5.48	-	5.48	3.71	
<b>Commercial Banks</b>																
Askari Commercial Bank Ltd.	-	-	-	25,000	15,000	1,181,801	1,227,000	45,199	1.02	1.06	0.01	1.38	1.13	1.38	1.13	
Bank of Punjab	-	7,500	-	7,500	482,550	482,550	497,250	14,700	0.42	0.43	0.01	0.56	0.46	0.56	0.46	
<b>Insurance Companies</b>																
Shahen Insurance Co. Ltd.	785,987	-	-	785,987	6,686,243	18,863,688	17,891,204	(862,464)	5.80	15.51	9.82	7.79	16.41	7.79	16.41	
New Jubilee Life Insurance Co. Ltd.	44,500	-	-	44,500	1,313,422	1,157,000	1,223,750	66,750	1.14	1.06	0.11	1.53	1.12	1.53	1.12	
<i>(Formerly Commercial Union Life Assurance Ltd.)</i>																
<b>Textile Weaving</b>																
Semin Textile Mills Ltd.	130,500	-	-	77,500	53,000	614,122	487,600	(410,750)	0.53	0.36	0.40	0.72	0.38	0.72	0.38	
<b>Textile Composite</b>																
Nishat Mills Ltd.	-	82,500	-	82,500	4,336,745	4,336,745	3,646,500	(690,245)	3.76	3.16	0.07	5.05	3.35	5.05	3.35	
Nishat (Chunian) Ltd.	-	25,000	-	25,000	1,562,695	1,562,695	1,575,000	12,405	1.36	1.37	0.06	1.82	1.45	1.82	1.45	
Kohinoor Industries	-	10,000	-	10,000	155,500	155,500	155,000	(500)	0.13	0.13	0.03	0.18	0.14	0.18	0.14	
Suraj Cotton Mills Ltd.	-	25,000	-	5,000	20,000	882,640	838,000	(44,640)	0.77	0.73	0.11	1.03	0.77	1.03	0.77	
<b>Cement</b>																
Chatribal Cement	-	28,500	-	28,500	435,474	435,474	438,900	3,426	0.38	0.38	0.08	0.51	0.40	0.51	0.40	
Pakland Cement Ltd.	41,512	-	-	41,512	228,316	1,305,552	1,064,783	(240,769)	0.20	0.92	0.05	0.27	0.98	0.27	0.98	
<b>Refinery</b>																
National Refinery Ltd.	8,100	-	-	1,600	6,500	1,192,421	1,469,000	267,475	1.03	1.27	0.01	1.38	1.35	1.38	1.35	
<b>Power Generation &amp; Distribution</b>																
Hub Power Co. Ltd.	-	15,000	-	15,000	455,300	455,300	464,250	8,950	0.39	0.40	0.00	0.53	0.43	0.53	0.43	
<b>Oil &amp; Gas Marketing Companies</b>																
Pakistan State Oil Co. Ltd.	35,001	-	-	1	35,000	9,767,751	8,986,250	(781,500)	8.47	7.60	0.02	11.38	8.04	11.38	8.04	
Sul Southern Gas Co. Ltd.	-	15,000	-	15,000	415,850	415,850	393,000	(22,850)	0.36	0.34	0.00	0.48	0.36	0.48	0.36	
<b>Oil &amp; Gas Exploration Companies</b>																
OIL&Gas Development Co. Ltd.	50,000	-	-	10,000	3,479,000	3,225,000	3,152,500	(72,500)	3.02	2.73	0.00	4.05	2.89	4.05	2.89	
Pakistan Oilfields Ltd.	30,000	-	-	10,000	20,000	5,428,610	4,010,000	(1,600,000)	4.71	3.46	0.02	6.32	3.68	6.32	3.68	
<b>Engineering</b>																
Indus Motor Co. Ltd.	10,000	-	-	10,000	-	-	-	-	-	-	-	-	-	-	-	
<b>Transport</b>																
Pakistan Inter-Container Ltd.	25,000	-	-	25,000	-	-	-	-	-	-	-	-	-	-	-	
Pakistan International Airlines Corp. (A)	225,000	-	-	15,000	210,000	5,376,105	2,593,500	(1,165,500)	4.66	2.25	0.02	6.26	2.38	6.26	2.38	
<b>Technology &amp; Communications</b>																
Pakistan Telecommunication Co. Ltd.-A	250,000	-	-	250,000	9,906,350	10,537,500	10,925,000	387,500	8.59	9.47	0.01	11.54	10.03	11.54	10.03	
Callmate Telips	-	50,000	-	50,000	828,855	828,855	742,500	(86,355)	0.72	0.64	0.10	0.97	0.68	0.97	0.68	
WorldCALL Communications Ltd.	85,125	-	125	100,000	1,207,000	1,207,000	1,054,000	(153,000)	1.09	0.91	0.05	1.47	0.97	1.47	0.97	
WorldCALL Broadband Ltd.	100,000	-	-	100,000	1,317,700	1,205,000	990,000	(215,000)	1.14	0.86	0.07	1.53	0.91	1.53	0.91	
<b>Fertilizers</b>																
Engro Chemical (Pakistan) Ltd.	25,000	-	-	11,250	2,651,693	2,437,500	2,273,750	(163,750)	2.30	1.97	0.02	3.09	2.09	3.09	2.09	
Fauji Fertilizer Co. Ltd.	90,000	-	-	25,000	7,703,300	7,880,270	8,063,438	183,168	6.68	6.99	0.03	8.97	7.40	8.97	7.40	
<b>Pharmaceutical</b>																
GLAXO SMITHKLINE	20,000	-	3,900	500	23,400	4,055,999	4,375,800	319,801	3.71	3.79	0.03	4.98	4.02	4.98	4.02	
<b>Chemical</b>																
Pakistan PTA Ltd.	50,000	-	-	50,000	870,105	867,500	637,500	(230,000)	0.75	0.55	0.00	1.01	0.59	1.01	0.59	
<b>Paper &amp; Board</b>																
Packages Ltd.	12,500	-	-	12,500	2,782,500	2,475,000	2,436,250	(68,750)	2.41	2.11	0.03	3.24	2.24	3.24	2.24	
<b>Total</b>					85,858,697	112,553,964	108,944,124	(3,609,839)								
Net loss on remeasurement of investments																
						(6,009,839)										
					85,858,697	108,944,125	108,944,125									

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Net loss on remeasurement of investments

(6,009,839)

85,858,697 108,944,125 108,944,125

5.1 Net assets are as defined in rule 2 (XXIV) 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 reference to the number of shares held in that investee company.

First Capital Mutual Fund Limited



First Capital Mutual Fund Limited





**NOTES TO THE ACCOUNTS (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004**

	<u>30-September</u> 2004 Rupees	<u>30-September</u> 2003 Rupees
<b>6. DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS LIMITED- AN ASSOCIATED COMPANY</b>		
Average annual net assets after charging remuneration of Investment Advisor & annual fee to SECP	<u>107,431,792</u>	<u>95,278,544</u>
Remuneration @ 2% of annual average net assets	<u>582,429</u>	<u>1,905,571</u>

**7. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The company's tax assessments have been finalized up to the DCIT level till assessment year 2002-2003. The DCIT has raised tax demands aggregating Rs.820,725/- for the assessment years from 1998-1999 to 2002-2003, which are being contested at the appellate level. Provision for additional tax liability has not been made in these financial statements, as the Company is hopeful of a favorable outcome of the appeals.

**Commitments**

Rs. Nil (2004:Rs. Nil)

**8. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise directors and key management personnel and associated companies. Transactions with related parties are as follows:

	<u>Jul to Sep</u> 2004 Rupees	<u>Jul to Sep</u> 2003 Rupees
Transactions of shares		
- Purchases	4,560,100	19,759,640
- Sales	1,270,395	43,801,880
- Commission paid	7,612	136,453
Advisory fee	582,429	561,057

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

**9. GENERAL**

Figures have been rounded off to the nearest rupee.

These accounts have been authenticated by two directors of the Company, as allowed by section 241 (2) of Companies Ordinance, 1984, due to the non availability of the Chief Executive.

Lahore

Director

Director



**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE ADVISORY COMPANY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2004**

	<u>July to Sep</u> 2004 Rupees	<u>July to Sep</u> 2003 Rupees
<b>REVENUE</b>		
Investment advisory fee from FCMF	582,429	561,057
<b>ADMINISTRATIVE EXPENSES</b>	<u>568,521</u>	<u>424,265</u>
<b>OPERATING PROFIT</b>	13,908	136,792
<b>DIVIDEND INCOME</b>	<u>-</u>	<u>3,750,000</u>
	13,908	3,886,792
Financial Expenses	<u>1,547</u>	<u>4,141</u>
<b>NET OPERATING PROFIT</b>	12,361	3,882,651
<b>TAXATION</b>	<u>2,912</u>	<u>436,600</u>
<b>PROFIT AFTER TAXATION</b>	9,449	3,446,051
<b>Unappropriated profit/ (loss) brought forward</b>	<u>1,307,501</u>	<u>(2,138,550)</u>
<b>Unappropriated profit/ (loss) carried forward</b>	<u>1,316,950</u>	<u>1,307,501</u>

These accounts have been authenticated by two directors of the Company, as allowed by section 241 (2) of Companies Ordinance, 1984, due to the non availability of the Chief Executive.

Lahore

Director

Director