



FCMF

M I S S I O N

At First Capital Mutual Fund Limited we would focus on creating wealth for shareholders, to conduct ourselves with dignity and the highest ethical standards, to contribute as a good corporate citizen to the society and also to provide a good working environment that will surely stimulate talent and reward hard work.

V I S I O N

To be a leader among Mutual Funds of the country through prudent investments in diversified portfolio for sustained best financial results and continuing achieving maximum yield for the shareholders of First Capital Mutual Fund Limited.

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COMPANY INFORMATION

Board of Directors	Salmaan Taseer (Chairman) Kamran Hafeez (CEO) Khawaja Khalil Shah Muhammad Naveed Tariq Mahmood Ali Athar Muhammad Musharaf Khan Ahmad Bilal
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Ahmed Bilal (Chairman) Muhammad Naveed Tariq Muhammad Musharaf 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 & Solicitors
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 Tel: +92 42 5757591-4 Fax: +92 42 5757590, 5877920
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi Tel: + 92 21 111-000-322, 5689021

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited (“the Company”) will be held on 31 October 2008 at 11:00 a.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on 14 February 2008;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2008 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2009 and to fix their remuneration;

By order of the Board

Lahore
October 10, 2008

Amir Mahmood
Company Secretary

Notes:

- 1) The Members Register will remain closed from 24 October 2008 to 31 October 2008 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2008 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of

Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.

- b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

FINANCIAL HIGHLIGHTS - LAST TEN YEARS

	Rupees in thousands									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Income Statement										
Capital gain/(loss)	23,516	52,949	35,997	25,734	9,674	34,472	2,939	(4,964)	15,135	(37,942)
Dividend income	13,650	10,738	6,557	4,749	4,699	7,596	7,163	2,328	4,830	2,369
Unrealized gain/(loss) on listed securities	(71,012)	58,493	13,476	(0.566)	11,925	11,241	(8,189)	(273)	288	(45,472)
Operating expenses	10,847	11,183	7,196	6,018	5,019	4,166	3,564	2,423	4,006	4,519
Net gain/(loss) before taxation	(41,590)	114,400	48,872	24,094	21,377	49,186	(1,544)	(4,614)	16,230	6,263
Taxation	1,086	-	603	-	234	-	430	169	182	132
Net gain/(loss) after taxation	(42,676)	114,400	48,269	24,094	21,142	49,186	(1,974)	(4,783)	16,048	6,131
Earning per share	(1.42)	3.95	3.22	1.61	1.41	3.28	(0.13)	0.32	1.07	0.41
Balance Sheet										
Net assets	337,605	380,281	176,043	142,611	118,517	97,375	85,689	87,663	92,446	83,898
Net assets per share (Rupees)	11.25	12.68	11.74	9.51	7.91	6.94	5.71	5.85	6.16	5.59
Payouts										
Dividend distribution (%)	-	10%	10%	10%	Nil	25%	Nil	Nil	5%	Nil
Stock Exchange										
KSE 100 Index (Points)	12,289	13,772	9,989	7,450	5,279	3,402	1,770	1,366	1,520	1,054

DIRECTORS' REPORT

The Board of Directors of First Capital Mutual Fund Limited ("FCMF" or the "Fund") is pleased to present the Annual Report 2008 together with the audited financial statements for the year ended June 30, 2008.

Fund's Performance

During the FY08, your Fund has posted a loss of Rs. 42.67 mn which translates into a negative EPS of Rs. 1.42. Financial highlights of the Fund are as follows:

Financial Highlights FY 2008

	2008 Rupees	2007 Rupees
Net gain on listed securities	23,515,632	52,948,948
Dividend income	13,650,208	10,738,281
Profit on bank deposits	3,102,845	3,402,433
Unrealized (loss)/gain on listed securities	(71,011,930)	58,492,717
Operating expenses	10,846,641	11,182,623
Net (loss)/profit	(42,675,882)	114,399,756
Net Assets	337,604,652	380,280,534
Net Asset Value per share	11.25	12.67
Earnings per share Basic	(1.42)	3.95
Dividend	NIL	10%

The Net Asset Value (NAV) per share of your Fund as on June 30, 2008 stands at Rs. 11.25 representing decline of 11.20% over the NAV per share of the last year. The Fund has exhibited an underperformance of 43 basis points in relation to our benchmark KSE-100 index.

During the year KSE 100 index revealed ecstatic performance, touching its ever high of 15,740 points on 21 April 2008. Your Fund capitalized on the KSE bull run and realized gains of Rs 40.267 mn. Subsequent to touching its highest of 15740 points, KSE-100 index shed off 3,450 points, demonstrating a nose-dive fall of approximately 22 % within two months. Catastrophic decline in the capital markets on the back of negative economic indicators, tightening monetary policy, political instability, liquidity crunch and decrease in foreign portfolio investments discounted the fundamental asset-values significantly. Snow-ball of these systematic losses was unavoidable and your Fund was no exception to this mayhem. Consequently the KSE structural downward value-shift led our portfolio to enumerate an unrealized loss of Rs 71.01 mn.

Future Outlook

The second half of this year was marred for the capital markets around the world amid financial turmoil and highest ever commodities prices. Subsequent to the year end the NAV per share of your Fund has further declined to Rs 7.89 as at 29 September 2008. The international financial crisis started unfolding in second half of the year with sub prime mortgage crisis. Commodity inflationary pressures contributed their part as well. Rising food prices and soaring crude oil values compelled the central banks around the world to tighten their monetary policies. Rising of interest rates and auction of government securities were employed to decrease the monetary flows. Consequently, financial instruments underwent a structural downward value-shift. Unrealized losses compelled the international institutional investors to pull back money from emerging markets for utilizing all these in their home operations.

Subsequent to the year end the international financial crisis has even worsened. A leading investment bank of United States of America, Lehman Brothers has filed bankruptcy. With the advent of this news Merrill Lynch and Morgan Stanely has also reported financial difficulties. As a result of this financial upheaval significant bearish trends in international stock markets are being witnessed.

KSE is no exception in this scenario. Indeed this situation has posted its impact on the financial structure of Pakistan and shall continue to do so for a little while. In addition to the international financial crisis, Pakistan is also facing numerous challenges in its domestic front. Power shutdowns, political instability, current account deficit, rising inflation, flight of capital, deteriorating dollar-rupee parity are few of them.

However, moving ahead, we reckon that the world financial crisis shall be dealt with adequately. Injection of further equity in the markets is in pipe line. Fine tuning of the financial system shall lead the world to its consolidation phase.

Pakistan government is also taking immediate steps for loss-minimization. Subsidies are being withdrawn to curb the current account deficit. Provision of Saudi Arab Oil Facility (SAOF) is also getting matured. Energy and power planning is being treated on priority basis and inflation control mechanism is being devised by using effective price monitoring structure.

Keeping in view the international context and Pakistan's specific economic conditions, the recession phase might prevail for sometime. However, we are confident that Pakistan's true fundamentals shall lead the way to consolidation phase. We term this period as a long term investment opportunity and believe the odds of upside surge in long term are worth betting on.

Performance Rating

Your Fund has been assigned a MFR of 4 - Star for the year ended June 30, 2007 by Pakistan Credit rating Agency Limited (PACRA) evidencing a 'good performance' in the category of closed end equity funds in the assessed year.

Payouts

Keeping in view the deteriorated capital market position the Board of Directors does not recommend any payout this year.

Earnings per Share

Fund's earning per share has decreased from Rs. 3.95 in FY07 to negative Rs. 1.42 in FY08.

Changes in Regulatory Environment

Securities and Exchange Commission of Pakistan (SECP) amended NBFC (Establishment and Regulation) Rules 2003 and issued NBFC and Notified Entities Regulations, 2007 during the year. Fund is currently following the road map to be in full compliance of the aforesaid rules and regulations within the transitional period allowed by the same.

Subsequent to the year end the investment adviser of your Fund, First Capital Investments Limited (FCIL), has been granted the Asset Management Services license (for managing closed end funds only).

Taxation

Since the Fund has not announced any distribution so the income tax exemption under clause 99 of the Part 1 of the 2nd Schedule to the Income Tax Ordinance, 2001 could not be availed. The tax provision has been calculated as 35% of income other than realized and unrealized capital gains.

Changes in the Board of Directors

Kamran Hafeez was appointed as Chief Executive Officer of the Fund after obtaining approval from SECP with effect from 27 August 2007. Election of directors was held during the year and all directors were re-appointed for a further period of three years.

Trading of Directors

During the year ended June 30, 2008 no trading in the Company's share were carried out by the directors, CEO, CFO, Company Secretary and their spouses including minor children.

Board Meetings during the year

Five meetings of the Board of Directors were held during the year Attendance by each director is as under:

Directors	Meetings Attended
Salmaan Taseer	4
Kamran Hafeez	4
Muhammad Naveed Tariq	5
Khawaja Khalil Shah	-
Mahmood Ali Athar	-
Ahmad Bilal	5
Muhammad Musharaf Khan	5

The Directors who could not attend the meeting were duly granted leave by the Board.

Audit Committee

The Board of directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of following Directors:

Ahmed Bilal (Chairman)
Muhammad Naveed Tariq (Member)
Muhammad Musharaf Khan (Member)

During the year Mr. Ahmed Bilal appointed in place of Mr. Salmaan Taseer.

Investment Committee

Fund's core activities involve trading in listed equity securities. In additions to a prudent and proactive investment policy and strategy as discussed above, Fund has an investment committee for continuous monitoring and risk management. Following are the members of investment committee:

Kamran Hafeez
Syed Kashan Kazmi
Mr Muhammad Asim*
Pardeep Kumar

* During the year Mr. Muhammad Asim resigned with effect from 30 April 2008. Subsequently, Mr. Muhammad Asim was replaced with Mr Pardeep Kumar with effect from 01 May 2008.

Pattern of Shareholding

Pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984, and Listing regulations is enclosed.

Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2009.

Good Governance and Best Business Practices

Practicing Governance means bringing and ensuring that we have a comprehensive set of ethical principles plus a team that is committed to ensure that all our business activities are conducted according to those principles.

The Board of Directors of the Fund is responsible to its shareholders for managing the business of the Fund in strict compliance with the regulatory requirements and sound internal controls. In other words we have to live up to high

standards that are independently verifiable. It acknowledges the responsibility for the sound internal controls and is committed to upholding the highest standards of Code of Corporate Governance.

Statement of Compliance with the best practices on Transfer Pricing

The Fund has fully complied with the best practices on transfer pricing to the extent as contained in the listing regulations of stock exchanges.

Statement of Compliance in accordance with the Code of Corporate Governance

The Fund for the year ended 30 June 2008 has duly complied with the provisions of the relevant code for good governance. The Board of Directors has reviewed the Codes and hereby confirms that:

- 1) The financial statements, prepared by the management, present fairly, its state of affairs, the results of its operations, cash flows, changes in equity, statement of movement in reserves and distribution statement of the Fund.
- 2) Proper Books of accounts of the Fund have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Fund's ability to continue as a going concern.
- 7) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8) The key financial data of last ten years is attached to this report.
- 9) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the accounts.
- 10) The Fund has followed the best practices of corporate governance, as detailed in Listing Regulations of Karachi Stock Exchange wherever possible, and is in the process of complying with all the remaining regulations.

Acknowledgment

The Board would like to thank and appreciate all the shareholders for their continued support. The board also wishes to place on record its appreciation for the guidance and support extended by the Securities and Exchange Commission of Pakistan, Lahore Stock Exchange (Guarantee) Limited and Karachi Stock Exchange (Guarantee) Limited.

For and on behalf of the Board

Lahore:
September 29, 2008

Kamran Hafeez
Chief Executive Officer

FUND MANAGER REPORT FOR THE YEAR ENDED JUNE 30, 2008

Investment Objective

First Capital Mutual Fund Limited ("FCMF" or the "Fund") is a closed ended equity fund and will seek to augment the wealth of investors through investments with strong fundamentals, geared towards securing maximum returns while simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them.

Investment Policy

First Capital Mutual Fund (FCMF) will invest in listed securities or securities proposed to be listed i.e. shares, fixed income securities, Term Finance Certificates and government securities. The proportion of investment in stocks of different companies and across different sectors will be based upon their expected return and inherent risks while proportion of investment in stocks or fixed income securities would be according to the guidelines of Investment Committee/ Investment Advisor within the limits of applicable laws.

FCMF shall not invest in any security more than ten percent (10%) of the total Net Asset of FCMF or the issued capital of such company. FCMF shall adhere to the guidelines set forth in NBFC Rules, 2003, NBFC and Notified Entities Regulations, 2007 and other applicable regulations (as amended from time to time) in relation to investment policy.

Equity Market Review

FY08 is in stark contrast to the previous year's KSE-100 performance, and showed immense volatility, pulling the index at 12289 level by posting negative return of -10.77%. The index declined by almost 22% since April 20, 08 till the end of June 08. The dismal performance of the equity markets was the global phenomenon across the world, which ensued of the sub prime mortgage crisis started in early 2007, got everyone stranded in the rambling direction. The peak ever international oil prices, coupled with the high commodities prices, weak dollar, teetering global financial system, slumping stocks were the corollary of deepened crisis which emanated in the shape of soaring inflation, high unemployment, unsustainable current, fiscal account deficits and low real growth rate. This has plagued more to the developed countries earlier due to their high exposure and more forcibly to the emerging economies due to their characteristics.

Pakistan was no exception rather it emerged as one of the worst performers against its peers. Barring the mentioned ones, imposition and lifting of emergency, the gruesome assassination of PPP leader Benazir Bhutto, electorate year, wrangling war over judiciary, political turbulence in new coalition government, and militant insurgency have exacerbated the economic numbers and decimated the structural foundations of capital markets. The negative rating by international rating agencies, dwindled foreign exchange reserves, depreciation of currency, unsustainable current and fiscal account deficit, high inflation led by unprecedented central bank borrowing have created the jitteriness for policy makers and executives. This compelled them to take the spate action like hike the discount rate by 250 basis points since July 07, rise in CRR and SLR requirement, minimum imposition of deposit rate 5% for banks and some strict measures to curb import and outflow of foreign exchange to put the economy back on track. All these events and measures have brought the immense structural changes in the economy and its major sectors which categorized in the recessionary phase led to consolidation one.

The index has touched its peak of 15740 in April 08, after then showed a steep down fall caused by upheavals in country. Before this, the market was stellar performer despite having adversities on political and economic front and boldly resisted on many important negative events like Red mosque event, imposition of emergency in country, negative rating, and assassination of Benazir Bhutto etc. Nonetheless, hike in discount rate and structural changes in banking, cement and textile sectors etc., coupled with the lack of proper investment framework by new government and above mentioned problems have revised the valuations across the board downwardly which played a pivotal role in the dismal

performance of the market. To get the system viable and prevent the further deterioration of the market, SECP in agreed consultation with KSE have been clamping down the steps by changing the upper and lower lock system from 5% to 10%, 5% to 1% respectively and provided some relaxation measures in the margin for brokers.

Across the year, the market has observed the merger and acquisition activity of NIB with PICIC bank, Stake of Maybank in MCB, listing of HBL, GDR of Lucky cement which showed the confidence of international investors in the market and economic stability. It further increased the international stake and liquidity in the market as well. SECP has launched the new risk management system CFS MK 2 in April 07 with the implementation deadline of June 08. Capital Gain Tax has been exempted up to FY10, the decision was overwhelmingly appreciated by investors. The SCRA has showed a net outflow of US\$ 232.114 mn against the net inflow of US\$ 978.225 mn in the same period last year. However the activity of the international investor was buoyant, that has been justified by US\$ 9.13 bn cumulative inflow and outflow.

Portfolio Performance

During the year, your Fund has posted a negative return of -11.20% against -10.77% return of our benchmark KSE 100 index, which showed the underperformance of 0.43% (on adjusted basis). We remained invested variably in the market across the year subjected to our research oriented outlook for the market which helped us to reduce the underperformance gap from -6.0% in Dec 07 to -0.43% at the end of the FY08. Following are few important strategies adopted during the year depending upon the sector outlook:

We have observed the immense volatility in the market during all the year due to structural changes in fundamentals of market and its sectors.

- We remained invested in top weighted sectors of index like Banking, E&P, Fertilizer, Cement, Textile, Refineries, and Communication along with the valued small cap stocks.
- Your Fund is firm believer of research oriented buy and hold strategy except for some scrips which offer healthy returns in short span of time.
- Your Fund was aggressive in searching the value and growth scrips irrespective of relation with small or mid cap sectors by adopting the research oriented strategy.
- Banking sector was stellar performer until the announcement of interim monetary policy statement announced by Central Bank in May 08. We were overweight into banking scrips, reduced our exposure heavily after then on the back of minimum imposition of 5% deposit rate, hike of discount rate and bleak outlook of the economy in short term.
- The major beneficiary sector due to structural changes in global and domestic outlook was E&P. High international oil prices, depreciation of rupee, discoveries in major exploration blocks, government supportive policy toward sector are some of triggers which made this sector in limelight. Your Fund has been invested in E & P averagely in the range of 20% to 25%.
- Highest ever prices of food related commodities rattled the importance of agriculture sector. This sector was another star performer, led us to get high exposure for benefiting your Fund.
- The scrips of communication and technology were the favorite of your Fund during the year due to its strong fundamentals.
- We got better exposure in cement sector due to healthy outlook of sector at export and domestic front.
- We reduced exposure in auto sector on the back of yen appreciation, high steel prices, its sluggish demand outlook
- We have also got exposure in some small cap stocks having characteristics of either growth or value. We have identified these scrips through extensive internal research.

Asset Allocation

	<i>Percentage of Sector Investments with respect to</i>			
	Net Assets		Total Portfolio	
Sectors	2007	2008	2007	2008
Investment Companies / Banks	11.88	5.95	12.81	5.98
Commercial Banks	19.70	20.84	21.26	20.91
Insurance Companies	-	4.79	-	4.81
Textile Composite	2.74	1.78	2.96	1.79
Synthetic & Rayon	0.28	-	0.30	-
Cement	10.04	5.04	10.83	5.05
Tobacco	-	1.04	-	1.04
Refinery	-	3.73	-	3.74
Power Generation & Distribution	0.97	2.71	1.04	2.72
Oil & Gas Marketing Companies	5.66	2.84	6.11	2.85
Oil & Gas Exploration Companies	18.81	21.69	20.30	21.77
Engineering	-	0.37	-	0.37
Automobile Assembler	3.56	0.89	3.84	0.89
Technology & Communication	4.12	8.34	4.44	8.35
Fertilizer	14.22	11.55	15.35	11.60
Pharmaceuticals	-	0.31	-	0.32
Chemicals	-	4.79	-	4.80
Miscellaneous	0.71	3.00	0.76	3.01
			2008	2007

Rupees

NAV Building

Net assets per share as at 01 July	12.67	11.74
Dilution due to issue of 100% right shares at par value i.e. Rs. 10 per share	-	(5.87)
Net gain from transactions in listed securities	0.78	1.76
Net unrealized (loss) / gain on listed securities	(2.37)	1.95
Other net income for the year	0.16	0.10
Net (loss) / income for the year - per share	(1.42)	3.81
Final dividend for the year ended 30 June 2007	-	(1.00)
Interim dividend for the year ended 30 June 2008	-	(1.00)
Proceeds from issue of right shares	-	4.99
Net assets per share as at 30 June	11.25	12.67

Future Outlook

Pakistan has been passing through the arduous time of this decade. All the macro indicators of the economy are posting a marring view while the bleak global outlook, the lack of investment and policy framework, deteriorating law and order situation, undoubtedly have been plaguing the situation worse. The equity market has witnessed freefall in recent quarter time due to lack of investor confidence and significant foreign selling; albeit, regulator and other policy makers have been taking decisions to protect the downside of the market but have not been able to strike the right formula.

Undoubtedly, the subdued performance of the market is attributable to captioned ones, albeit discounted very steeply by posting 22% negative return since April 08 when the market touched its peak at 15,740. The market is trading currently at 6 PE instead of 11 PE earlier which makes it cheaper in the region.

We contemplate that the equity market couldn't perform well despite its attractive valuation due to fragile economic indicators. Barring many problems, Government is putting efforts to address the urgent economic problems which may teeter the financial and political structure of the country.

Thanks to reversal of high commodity cycle and lower international oil prices coupled with stringent measures regarding the curb of import and reduction of subsidies by government shall provide a breather to our Balance of payment, and coupled with other monetary and fiscal tuning shall lead us to a consolidation period..

The government is claiming many positive events to be happening in near future like Saudi Oil Facility of USD 5bn, inflow of approximately USD 3.5 bn by international donors and friends and proper investment strategy for the revival of the economy. Undoubtedly, it shall provide a great assuage to the jitteriness of investors.

We are seeing the consolidation of economy characterized with the slow growth, high inflation, high interest rate, high external debt for supporting the depleting foreign exchange reserves and twin deficits. Rather than across the board, the performance of specific sectors relative to the expected outlook of the economy will be important feature of the market. Furthermore, comprehensive action plan of government and the confidence of international investor will decide the direction and performance of the market as well. Nonetheless, we can not rule out for the further monetary tightening, implementation of revival plan (including the eliminating of subsidies completely) of international donors like International Monetary Fund and taking out the harsh measures in near future. We would like to reiterate our confidence on Pakistan's true fundamentals and reckon this recession phase is an opportunity for providing future long term value growth.

Your Fund will concentrate on developments taking place at the global financial and commodities markets coupled with relative domestic outcomes and internal matters of the country. We will play a directional strategy of the market by deciding the exposure amount taken and investing in positively correlated sectors of the economy. We will take the exposure in E&P on its hedge against inflation, currency depreciation and low regulatory risk, Fertilizer on more likely the focused sector of government and persistent domestic demand-supply gap, specific Banking scrips due to its attractive valuations, Communication due to its potential future growth in wireless and broadband business, Cement sector due to its extremely attractive valuations and healthy export outlook, and some valued small cap stocks on its potential stories. Our Fund Management and Research Department will exert all its efforts to maximize the shareholders wealth and to achieve the objective of Fund.

Other Disclosures Required under Non Banking Finance Companies and Notified Entities Regulations 2007

- Par value per shares/unit of the fund is Rs 10/-
- No share/unit split has been undertaken during the year
- Neither the management company nor any of its delegates receives any soft commission (i.e., goods and services) from its broker(s)/dealer(s) by virtue of transaction conducted by the fund.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2008

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBFII. No one is a member of Stock Exchange.
- 4) No casual vacancies occurred in the Board.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding

- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore:
September 29, 2008

Kamran Hafeez
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF
COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE
GOVERNANCE**

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **First Capital Mutual Fund Limited** (“the Fund”) to comply with the Listing Regulation of the respected Stock Exchanges, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

LAHORE
29 September 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **First Capital Mutual Fund Limited** (“the Fund”), which comprise the statement of assets and liabilities as at 30 June 2008, the income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Investment Advisor (First Capital Investments Limited) to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the above said statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Fund as required by the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007;
- b) in our opinion:
 - i) the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Fund's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Fund;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2008 and of the transactions of the Fund for the year then ended; and
- d) in our opinion Zakat deductible at source by under the Zakat and Ushr Ordinance, 1980 was deducted by the Fund and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE
29 September 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES

As At 30 June 2008

	<i>NOTE</i>	2008 Rupees	2007 Rupees
ASSETS			
Non current asset			
Long term deposit		137,500	37,500
Current Assets			
Investments at fair value through profit or loss	5	336,536,858	352,440,327
Dividend and other receivables	6	3,142,669	16,780,420
Bank balances	7	8,752,079	50,812,785
Total assets		348,569,106	420,071,032
LIABILITIES			
Current Liabilities			
Payable to Investment Adviser - an associated company	8	7,436,075	6,772,792
Trade and other payables	9	2,442,382	3,017,706
Provision for taxation		1,085,996	-
Dividend payable		-	30,000,000
Total liabilities		10,964,453	39,790,498
Net assets		337,604,653	380,280,534
Share capital and reserves			
Authorized capital 35,000,000 (2007: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital	10	300,000,000	300,000,000
Undistributed income		37,604,653	80,280,534
Contingencies and commitments	11	-	-
		337,604,653	380,280,534
Net assets value per share at 30 June		11.25	12.67

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

INCOME STATEMENT

For The Year Ended 30 June 2008

	<i>NOTE</i>	2008 Rupees	2007 Rupees
Income			
Capital gain on listed securities		23,515,632	52,948,948
Net unrealized (loss) / gain on listed securities	5	(71,011,929)	58,492,717
Dividend income		13,650,208	10,738,281
Profit on bank deposits		3,102,845	3,402,433
		<u>(30,743,244)</u>	<u>125,582,379</u>
Operating expenses			
Fees and subscription	12	609,304	782,947
Remuneration to the investment adviser	8	7,436,075	6,772,792
Securities transaction cost		1,794,724	1,513,679
Legal and professional charges		75,000	115,000
Custodian fee		405,560	212,782
Printing charges		227,186	-
Auditors' remuneration	13	295,000	285,000
Bank charges		3,792	2,043
Take-up commission		-	1,498,380
		<u>10,846,641</u>	<u>11,182,623</u>
Net (loss) / income before taxation		<u>(41,589,885)</u>	<u>114,399,756</u>
Provision for taxation			
Taxation - current year		1,085,996	-
Net (loss) / income for the year carried forward for distribution		<u><u>(42,675,881)</u></u>	<u><u>114,399,756</u></u>
(Loss) / earnings per share - basic and diluted	14	<u><u>(1.42)</u></u>	<u><u>3.95</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

For The Year Ended 30 June 2008

	2008 Rupees	2007 Rupees
Cash flow from operating activities		
Net (loss) / income before taxation	(41,589,885)	114,399,756
Adjustments for:		
Dividend income	(13,650,208)	(10,738,281)
Remuneration to investment advisor	7,436,075	6,772,792
Unrealized loss / (gain) due to change in fair value of listed securities	71,011,929	(58,492,717)
	64,797,796	(62,458,206)
Operating income before working capital changes	23,207,911	51,941,550
(Increase)/decrease in current assets		
Investments in listed securities	(55,108,460)	(120,024,917)
Other receivables	14,793,916	(14,980,680)
	(40,314,544)	(135,005,597)
Increase/(decrease) in current liabilities		
Trade and other payables	(657,321)	710,884
Cash generated from operations	(17,763,954)	(82,353,163)
Remuneration paid to investment advisor	(6,772,792)	(3,474,750)
Taxes paid	(554,539)	(384,591)
Dividend received	13,048,582	10,219,790
Net cash used in operating activities	(12,042,703)	(75,992,714)
Cash flow from investing activities		
Security deposit	(100,000)	-
Net cash used in investing activities	(100,000)	-
Cash flow from financing activities		
Dividend paid	(29,918,003)	(29,606,364)
Proceeds from issue of right shares	-	149,838,000
Net cash (used in) / generated from financing activities	(29,918,003)	120,231,636
Net (decrease) / increase in cash and cash equivalents	(42,060,706)	44,238,922
Cash and cash equivalents at the beginning of the year	50,812,785	6,573,863
Cash and cash equivalents at the end of the year	8,752,079	50,812,785

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2008

	Issued, subscribed and paid up capital	Share deposit money (Right issue)	Undistributed income	Total
	----- Rupees -----			
Balance as at 01 July 2006	150,000,000	162,000	25,880,778	176,042,778
Share deposit money - right issue	-	149,838,000	-	149,838,000
Right shares issued	150,000,000	(150,000,000)	-	-
Final dividend @ Re. 1 per share for the year ended 30 June 2006	-	-	(30,000,000)	(30,000,000)
Net income for the year ended 30 June 2007	-	-	114,399,756	114,399,756
Interim dividend @ Re. 1 per share for the year ended 30 June 2007	-	-	(30,000,000)	(30,000,000)
Balance as at 30 June 2007	300,000,000	-	80,280,534	380,280,534
Net loss for the year ended 30 June 2008	-	-	(42,675,881)	(42,675,881)
Balance as at 30 June 2008	300,000,000	-	37,604,653	337,604,653

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF MOVEMENT IN EQUITY
AND RESERVES - PER SHARE**

For The Year Ended 30 June 2008

	2008 Rupees	2007 Rupees
Net assets per share as at 01 July	12.67	11.74
Dilution due to issue of 100% right shares at par value i.e. Rs. 10 per share	-	(5.87)
Net gain from transactions in listed securities	0.78	1.76
Net unrealized (loss) / gain on listed securities	(2.37)	1.95
Other net income for the year	0.16	0.10
Net (loss) / income for the year - per share	(1.42)	3.81
Final dividend for the year ended 30 June 2007 @ Re. Nil (2006: Re. 1) per share	-	(1.00)
Interim dividend for the year ended 30 June 2008 @ Re.Nil (2007:Re.1) per share	-	(1.00)
Proceeds from issue of right shares	-	4.99
Net assets per share as at 30 June	11.25	12.67

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

DISTRIBUTION STATEMENT

For The Year Ended 30 June 2008

	2008 Rupees	2007 Rupees
Undistributed income brought forward	80,280,534	25,880,778
Net (loss) / income for the year	(42,675,881)	114,399,756
Final dividend for the year ended 30 June 2007 @ Re. Nil (2006: Re. 1) per share	-	(30,000,000)
Interim dividend for the year ended 30 June 2008 @ Re. Nil (2007: Re. 1) per share	-	(30,000,000)
Undistributed income carried forward	<u>37,604,653</u>	<u>80,280,534</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

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 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 unquoted securities unless an application for listing of such securities has been accepted by the stock exchange.

The Fund has an agreement with First Capital Investment Limited, an associated company, to act as its Investment Adviser. First Capital Investment Limited is duly licensed under the NBFC Rules to act as an Investment Adviser.

During the year, the Fund has changed its custodian and now the custodian of the Fund is Central Depository Company of Pakistan Limited.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of "AM4+" and fund rating of "4 Star" to the Investment Adviser and the Fund respectively.

2. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Companies Ordinance 1984, NBFC Rules, the NBFC Regulations 2007 or directives issued by the Commission differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for listed securities, which are stated at their fair values.

3.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The

areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Fair value of investments
- b) Realisability of other assets balances
- c) Provision for taxation

3.3 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosure became effective and have resulted in certain disclosures. The related disclosure has been made in note 16.7 to the financial statements.

3.4 Standards, interpretations and amendments to international accounting standards

The following standards, amendments and interpretation of international accounting standards are effective for accounting periods beginning on or after 01 July 2008:

IAS -1 Presentation of financial statements (Revised) - The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.

IAS - 23 Borrowing costs

IAS - 29 Financial reporting in hyperinflationary economies

IAS - 32 Financial instruments: Presentation

IFRS - 2 Share-based payment

IFRS - 3 Business combinations

IFRS - 7 Financial instruments: Disclosures

IFRIC - 12 Service concession arrangements

IFRIC - 13 Customer loyalty programmes

IFRIC - 14 Limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC - 15 Agreement for the construction of real estate

IFRIC - 16 Hedge of net investment in a foreign operation

3.5 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund.

4. Summary of significant accounting policies

4.1 Investments in listed securities

An investment is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Investments which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual patterns of short term profit taking are classified as held for trading or a derivative.

Investments in listed securities including investment in associated companies are classified as investment at fair value through profit or loss. These are securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

All investments are initially recognized at cost, being the fair value of the consideration given excluding acquisition charges associated with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in income statement of the period. Transaction costs are expensed out immediately

Fair values of these securities representing listed equity and debt securities are determined by reference to the stock exchange quoted market prices at the close of business on balance sheet date.

4.2 Taxation

4.2.1 Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. No charge for current taxation is made in the financial statements if the fund intends to distribute 90 percent or more of its accounting profit as reduced by capital gains whether realized or unrealized amongst its shareholders in accordance with the exemption available under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.2.2 Deferred

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The deferred tax asset on unused tax losses has not been recognized in these financial statements, as the fund intends to continue availing the tax exemption in future years and management believes that tax benefit relating to carried forward tax losses would not be utilized.

4.3 Revenue recognition

4.3.1 Capital gains

Sale and purchase of securities are recorded on the date of execution of contract. Realized gains or losses, calculated as the difference between the sales proceeds excluding transaction cost, and the carrying amount of a security is included in income statement for the year. Carrying value of the security for this purpose is calculated on an individual portfolio basis using the moving average method.

4.3.2 Unrealized gain / (loss)

Unrealized gain / (loss) arising on the revaluation of securities is included in the income statement in the year in which it arises.

4.3.3 Dividend

Dividend income is recognized when the right to receive dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.

4.3.4 Profit on bank deposits

Profit on bank deposits is recognized on accrual basis.

4.4 Trade date accounting

All regular way purchases / sales of investments are recognized on the trade date i.e. the date the fund commits to purchase / sale the investments. Regular way purchase / sale of investments require delivery of securities within two days after the transaction date as required by the stock exchanges regulations.

4.5 Financial Instrument

All the financial assets and liabilities are recognized at the time when the fund becomes a party to the contractual provisions of the instrument.

The fund de-recognizes a financial asset or portion of financial asset when, and only when, the fund loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on recognition, de-recognition of financial assets and financial liabilities are stated in their respective notes.

4.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the fund has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.7 Provisions

A provision is recognized when the fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.8 Related party transactions

The related parties comprise of directors, key management personnel and associated companies. All transactions with related parties are entered into at an arm's length determined in accordance with "Comparable uncontrolled price method".

4.9 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalent comprise cash in hand, cheques in hand and bank balances.

5. Investments at fair value through profit or loss

Ordinary fully paid shares / certificates have a face value of Rs. 10/- each except as mentioned in Note 5.2 of these financial statements.

SECTOR / NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2008			PERCENTAGE IN RELATION TO					
	Holdings at the beginning of the period	Purchased during the year	Bonus/Rights received during the year	Sales during the year	Holding as at the year end	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net Assets		No. of Shares of Investee Company	
										At Cost	Market Value		At Cost
Investment Companies / Banks													
First Capital Equities Limited	483,750	-	36,150	423,500	96,400	1,091,248	4,241,600	14,802,220	10,560,620	0.32	4.38	0.11	4.40
Arif Habib Limited	60,000	46,000	1,000	47,000	-	-	-	-	-	-	-	-	-
Arif Habib Securities Limited	-	155,000	-	215,000	-	-	-	-	-	-	-	-	-
Iqbalgair Siddique & Company Limited	-	10,000	-	10,000	10,000	7,432,615	7,432,615	5,301,500	(2,131,115)	2.20	1.57	0.01	1.58
First National Equities Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-
Pakistan Industrial Credit & Investment Corporation Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	-	-
Commercial Banks													
Bank Alfalah Limited	-	400,000	11,500	325,000	86,500	4,476,919	4,476,919	3,551,690	(925,229)	1.33	1.05	0.01	1.06
Bank Islami Pakistan Limited	-	148,500	45,406	193,906	-	-	-	-	-	-	-	-	-
Askari Commercial Limited	80,000	-	-	80,000	-	-	-	-	-	-	-	-	-
National Bank of Pakistan	83,500	255,000	11,300	274,000	75,800	10,542,264	17,696,056	11,180,500	(6,515,556)	3.12	3.31	0.01	3.32
United Bank Limited	40,000	200,000	22,500	170,000	142,500	21,359,325	17,289,653	12,125,325	(5,164,328)	6.33	3.59	0.01	3.60
The Bank of Punjab	104,344	140,000	8,934	253,278	-	-	-	-	-	-	-	-	-
MCB Bank Limited	64,750	238,700	-	220,000	83,450	27,323,199	34,146,972	27,236,411	(6,910,561)	8.09	8.07	0.01	8.09
Meezan Bank Limited	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-
NIB Bank Limited	-	300,000	-	100,000	200,000	3,920,000	3,920,000	2,274,000	(1,646,000)	1.16	0.67	0.01	0.68
Habib Bank Limited	-	65,000	4,500	25,000	44,500	11,962,121	11,962,121	9,284,035	(2,678,086)	3.54	2.75	0.01	2.76
Bank Al Habib Limited	-	50,000	15,000	3,300	61,700	3,821,217	3,821,217	2,604,974	(1,216,243)	1.13	0.77	0.01	0.77
Allied Bank Limited	-	85,000	-	60,000	25,000	3,061,955	3,061,955	2,131,750	(930,205)	0.91	0.63	0.00	0.63
Insurance Companies													
The Metropolitan Life Assurance Company of Pakistan Limited	-	17,500	-	17,500	-	-	-	-	-	-	-	-	-
Adanjee Insurance Company Limited	-	55,500	-	35,000	20,500	6,190,367	6,190,367	5,549,760	(640,607)	1.83	1.64	0.02	1.65
EFU General Insurance Limited	-	50,200	-	25,200	25,000	8,825,750	8,825,850	9,021,500	195,650	2.61	2.67	0.03	2.68
Pakistan Reinsurance Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-
Central Insurance Company Limited	-	10,000	-	10,000	10,000	1,876,020	1,876,020	1,628,000	(248,020)	0.56	0.48	0.06	0.48
New Jubilee Life Insurance Company Limited	-	40,000	-	40,000	-	-	-	-	-	-	-	-	-
Textile Composite													
Nishat Mills Limited	80,000	315,000	-	325,000	70,000	7,371,000	8,101,947	6,017,900	(2,084,047)	2.18	1.78	0.04	1.79
Azgard Nine Limited	-	75,000	-	75,000	-	-	-	-	-	-	-	-	-
Dawood Lawrencepur Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-
Synthetic & Rayon													
Deewan Salmaan Fibre Limited	100,000	-	-	100,000	-	-	-	-	-	-	-	-	-
Sugar and Allied Industries													
JDW Sugar Mills Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-
Cement													
Fauji Cement Company Limited	-	100,000	-	-	100,000	2,122,500	2,122,500	1,012,000	(1,110,500)	0.63	0.30	0.01	0.30
Al-Abbas Cement Industries Limited	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-
Dewan Cement Limited	41,512	-	-	-	41,512	599,848	720,233	508,937	(211,296)	0.18	0.15	0.01	0.15
D.G.Khan Cement Company Limited	150,055	145,000	-	81,000	214,055	21,409,781	24,107,923	14,371,653	(9,736,270)	6.34	4.26	0.08	4.27
Lucky Cement Company Limited	145,000	286,500	-	420,000	11,500	1,286,505	1,517,419	1,126,195	(391,224)	0.38	0.33	0.00	0.33
Refinery													
Attock Refinery Limited	-	88,500	-	88,500	-	-	-	-	-	-	-	-	-
National Refinery Limited	-	55,000	-	14,800	40,200	14,757,155	14,757,155	11,958,294	(2,798,861)	4.37	3.54	0.05	3.55
Pakistan Refinery Limited	-	30,000	3,333	29,200	4,133	1,025,085	1,025,085	625,654	(399,431)	0.30	0.19	0.01	0.19
Tobacco													
Pakistan Tobacco Company Limited	-	30,000	-	-	30,000	4,955,049	4,955,049	3,510,000	(1,445,049)	1.47	1.04	0.01	1.04
Power Generation and Distribution													
The Hub Power Company Limited	100,000	220,000	-	-	320,000	10,579,200	11,153,472	9,152,000	(2,001,472)	3.13	2.71	0.03	2.72
Kot Addu Power Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-

SECTOR / NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2008				PERCENTAGE IN RELATION TO					
	Holdings at the beginning of the period	Purchased during the year	Bonus/Rights received during the year	Sales during the year	Holding as at the year end	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net/Assets At Cost	Market Value	No. of Shares of Investee Company	Total Investment At Cost	Market Value
Oil & Gas Marketing Companies														
Pakistan State Oil Company Limited	55,000	103,500	-	135,500	23,000	12,043,260	12,004,178	9,596,520	(2,407,658)	3.57	2.84	0.01	3.17	2.85
Atrosk Petroleum Limited	-	24,700	-	24,700	-	-	-	-	-	-	-	-	-	-
Oil & Gas Exploration Companies														
Pak Oil Fields Limited	60,000	330,000	-	350,000	40,000	13,233,200	15,136,444	14,593,600	(542,844)	3.92	4.32	0.02	3.49	4.34
Oil & Gas Development Company Limited	285,000	160,000	-	225,000	220,000	23,487,200	27,147,604	27,359,200	211,596	6.96	8.10	0.01	6.19	8.13
Pakistan Petroleum Limited	70,000	315,000	9,500	295,000	99,500	24,680,975	25,502,397	24,476,005	(1,026,392)	7.31	7.25	0.01	6.50	7.27
Mari Gas Company Limited	-	25,300	-	-	25,300	7,962,499	7,962,499	6,819,109	(1,143,390)	2.36	2.02	0.07	2.10	2.03
Engineering														
Crescent Steel & Allied Products Limited	-	80,000	-	60,000	20,000	1,794,530	1,794,530	1,234,600	(559,930)	0.53	0.37	0.04	0.47	0.37
Sazear Engineering Works Limited	-	200	-	200	-	-	-	-	-	-	-	-	-	-
Automobile Assembler														
Indus Motor Company Limited	25,000	10,000	-	28,810	6,190	1,869,813	1,913,152	1,238,310	(674,842)	0.55	0.37	0.01	0.49	0.37
Pak Suzuki Motor Company Limited	15,000	8,700	-	9,000	14,700	4,595,603	5,732,119	1,760,913	(3,971,206)	1.36	0.52	0.02	1.21	0.52
Technology & Communication														
Pakistan Telecommunication Company Limited	260,000	315,000	-	160,000	415,000	23,443,350	20,594,084	16,035,600	(4,558,484)	6.94	4.75	0.01	6.17	4.76
TRG Pakistan Limited	50,000	375,000	-	425,000	88,000	5,975,500	6,081,197	2,656,250	(3,424,947)	1.77	0.79	0.11	1.57	0.79
Neosol Technologies Limited	-	88,000	-	-	88,000	10,541,538	10,541,538	8,560,640	(1,980,898)	3.12	2.54	0.15	2.78	2.54
Eye Television Network Limited	-	15,000	-	-	15,000	939,750	939,750	883,500	(56,250)	0.28	0.26	0.03	0.25	0.26
Fertilizer														
Engro Chemical Pakistan Limited	93,495	220,000	559	228,400	85,654	23,088,036	26,854,225	24,052,500	(2,801,725)	6.84	7.12	0.04	6.08	7.15
Fuji Fertilizer Company Limited	146,500	125,000	-	166,500	105,000	11,902,800	13,505,415	13,893,600	388,185	3.53	4.12	0.02	3.13	4.13
Fuji Fertilizer Bin Qasim Limited	325,000	395,500	-	691,000	29,500	1,064,950	1,330,730	1,061,115	(269,615)	0.32	0.31	0.00	0.28	0.32
Pharmaceuticals														
Searle Pakistan Limited	-	20,000	-	20,000	-	-	-	-	-	-	-	-	-	-
Highnoon Laboratories Limited	-	30,000	-	11,200	18,800	1,538,842	1,538,842	1,061,072	(477,770)	0.46	0.31	0.11	0.41	0.32
Chemical														
ICI Pakistan Limited	-	70,000	-	-	70,000	14,375,501	14,375,501	11,295,900	(3,079,601)	4.26	3.35	0.05	3.79	3.36
Berger Paints Pakistan Limited	-	900	-	900	-	-	-	-	-	-	-	-	-	-
Sitara Chemical Industries Limited	-	7,000	-	7,000	-	-	-	-	-	-	-	-	-	-
Abbott Laboratories (Pakistan) Limited	-	12,900	-	12,900	-	-	-	-	-	-	-	-	-	-
Nimir Industries Chemicals Limited	-	790,500	-	790,500	790,500	4,365,536	4,365,536	2,671,890	(1,693,646)	1.29	0.79	0.71	1.15	0.79
BOC Pakistan Limited	-	10,000	-	-	10,000	3,144,405	3,144,405	2,185,700	(958,705)	0.93	0.65	0.04	0.83	0.65
Paper & Board														
Packages Limited	-	67,900	-	67,900	-	-	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Glass & Ceramics														
Ghani Glass Limited	-	64,700	3,235	67,935	-	-	-	-	-	-	-	-	-	-
Miscellaneous														
Ti-Pack Films Limited	20,000	58,800	-	20,000	58,800	13,682,760	13,682,513	10,126,536	(3,555,977)	4.05	3.00	0.20	3.60	3.01
Total	2,987,906	7,525,000	172,917	6,413,129	4,272,694	379,717,171	407,548,787	336,536,858	(71,011,929)					

5.1 Shares of Engro Chemicals Pakistan Limited as at 30 June 2008 include 59 shares pending for allotment.

5.2 Nimir Industrial Chemicals Limited's shares have a face value of Rs. 5 per share.

5.3 Net assets are as defined in Rule 2 (XXXIV) of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.

5.4 The percentage in relation to the own net assets (of the Fund) has been calculated in relation to the cost and market value of the respective investments.

5.5 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

	<i>Note</i>	2008	2007
		Rupees	Rupees
6 Dividend and other receivables			
Dividend receivable		1,959,751	1,358,125
Receivables on account of sale of shares - unsecured considered good		-	14,688,625
Profit on bank deposits		159,264	292,055
Fee and subscription prepaid		27,500	-
Advance tax		996,154	441,615
		<u>3,142,669</u>	<u>16,780,420</u>
7 Bank balances			
Cash at bank:			
Current accounts		1,444,262	1,355,859
Deposit accounts	<i>7.1</i>	<u>7,307,817</u>	<u>49,456,926</u>
		<u>8,752,079</u>	<u>50,812,785</u>

7.1 The balances on saving account bear mark up which ranges from 6% to 9.5% (2007: 9.5% - 11.5%).

	<i>Note</i>	2008	2007
		Rupees	Rupees
8 Payable to Investment adviser - an associated company			
Balance as at July 01		6,772,792	3,474,750
Remuneration for the year @ 2% of average annual net assets	<i>8.1</i>	<u>7,436,075</u>	<u>6,772,792</u>
		14,208,867	10,247,542
Less: Payments made during the year		<u>(6,772,792)</u>	<u>(3,474,750)</u>
		<u>7,436,075</u>	<u>6,772,792</u>

8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the Investment Adviser of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Investment Adviser has charged its remuneration for the current year at the rate of two percent per annum.

	2008	2007
	Rupees	Rupees
The net assets of the Fund as at June 30, 2008 are calculated as follows:		
Average annual net assets before charging remuneration of Investment Adviser and annual fee to SECP.	<u>371,803,775</u>	<u>338,639,585</u>
2% of annual average net assets	<u>7,436,075</u>	<u>6,772,792</u>

First Capital Mutual Fund Limited

	<i>Note</i>	2008 Rupees	2007 Rupees
9 Trade and other payables			
Accrued Custodian Fee		25,994	60,000
Listing and regulatory expenses payable		60,000	-
Payable on account of purchase of listed equity securities		-	716,429
Auditors' remuneration		200,000	200,000
Annual fee-SECP	9.1	371,804	338,690
Unclaimed dividend		1,784,584	1,702,587
		2,442,382	3,017,706

9.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2007, a closed end fund is required to pay as annual fee to SECP, an amount equal to one-tenth of one percent of average annual net assets of the Fund.

	<i>Note</i>	2008 Rupees	2007 Rupees
10 Issued, subscribed and paid-up capital			
30,000,000 (2007: 30,000,000) ordinary shares of Rs. 10 each fully paid in cash		300,000,000	300,000,000

10.1 First Capital Investment Limited, an associated company, holds 3,430,880 (2007: 3,430,880) ordinary shares of Rs. 10/- each representing 11.44% (2007: 11.44%) of the issued, subscribed and paid up capital of the Fund.

11 Contingencies and commitments

11.1 Contingencies

Nil (2007: Nil)

11.2 Commitments

Nil (2007: Nil)

	<i>Note</i>	2008 Rupees	2007 Rupees
12 Fees and subscription			
Central Depository Company of Pakistan Limited fee		67,500	183,690
Listing and regulatory expenses		170,000	260,567
Annual fee to Securities and Exchange Commission of Pakistan		371,804	338,690
		609,304	782,947

	2008 Rupees	2007 Rupees
13 Auditors' remuneration		
Statutory audit	175,000	175,000
Half year review	75,000	75,000
Special certifications	10,000	-
Out of pocket expenses	35,000	35,000
	295,000	285,000

14 (Loss) / earnings per share - basic and diluted

There is no dilutive effect on the basic earnings per share of the Fund, which is based on:

		2008	2007
Profit attributable to ordinary shareholders	<i>Rupees</i>	(42,675,882)	114,399,756
Weighted average number of ordinary shares	<i>Number</i>	30,000,000	28,972,603
(Loss) / earnings per share	<i>Rupees</i>	(1.42)	3.95

15 Transactions with related parties and connected persons

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

		2008 Rupees	2007 Rupees
<u>Associates</u>			
Take up commission		-	973,947
Fee to investment adviser	8	7,436,075	6,772,792
Dividend paid		-	3,430,880

15 Amount due to related parties at the year end is disclosed in note 8 of these financial statements.

		2008 Rupees	2007 Rupees
<u>Others</u>			
Dividend paid		-	16,291,230
<u>Connected persons</u>			
Dividend paid		-	5,244,330

16. Financial instruments and related disclosures

16.1 The effective interest rates of financial assets and financial liabilities are summarized as follows:

2008	Interest bearing				Non interest bearing				Total
	Rupees				Rupees				
	One month to three months	Three months to one year	One Year to five years	More than five year	One month to three months	Three months to one year	One year to five years	More than five years	
Financial Assets - 2008									
Investments at fair value through profit or loss	-	-	-	-	336,536,857	-	-	-	336,536,857
Dividend and other receivables	-	-	-	-	2,146,515	-	-	-	2,146,515
Long term deposit	-	-	-	-	-	-	-	137,500	137,500
Bank balances	-	7,307,817	-	-	1,444,262	-	-	-	8,752,079
	-	<u>7,307,817</u>	-	-	<u>340,127,634</u>	-	-	<u>137,500</u>	<u>347,572,951</u>
Effective interest rates	6% to 9.5%								
Financial Liabilities									
Due to Investment Adviser	-	-	-	-	7,436,075	-	-	-	7,436,075
Trade and Other Payables	-	-	-	-	2,444,382	-	-	-	2,444,382
	-	-	-	-	<u>9,878,457</u>	-	-	-	<u>9,878,457</u>
On Balance Sheet Gap	-	<u>7,307,817</u>	-	-	<u>330,249,177</u>	-	-	<u>137,500</u>	<u>337,694,494</u>
Financial assets - 2007									
Investments at fair value through profit or loss	-	-	-	-	352,440,327	-	-	-	352,440,327
Dividend and other receivables	-	-	-	-	16,338,805	-	-	-	16,338,805
Long term deposit	-	-	-	-	-	-	-	37,500	37,500
Bank balances	-	49,456,926	-	-	1,355,859	-	-	-	50,812,785
	-	<u>49,456,926</u>	-	-	<u>370,134,991</u>	-	-	<u>37,500</u>	<u>419,629,417</u>
Effective interest rates	9.5% to 11.5%								
Financial Liabilities									
Due to Investment Adviser	-	-	-	-	6,772,792	-	-	-	6,772,792
Trade and Other Payables	-	-	-	-	3,017,706	-	-	-	3,017,706
Dividend payable	-	-	-	-	30,000,000	-	-	-	30,000,000
	-	-	-	-	<u>39,790,498</u>	-	-	-	<u>39,790,498</u>
On Balance Sheet Gap	-	<u>49,456,926</u>	-	-	<u>330,344,493</u>	-	-	<u>37,500</u>	<u>379,838,919</u>

16.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund believes that it is not exposed to major concentration of credit risk.

16.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The investment adviser manages the market risk by monitoring exposure on listed securities by following the investment guidelines approved by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

16.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The investment adviser manages the liquidity risk by maintaining maturities of financial assets and liabilities and investing a major portion of Fund's assets in highly liquid financial assets.

16.5 Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Fund does not have any significant financial assets or financial liabilities which carry variable interest rates, hence is not subject to any cash flow risk.

16.6 Fair value of financial assets and financial liabilities

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

16.7 Capital Management

The Fund's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of Fund's business. The Board of Directors monitors the return on capital employed, which the Fund defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Fund's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- b) to provide an adequate return to shareholders.

The Fund manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may, adjust the amount of dividends paid to shareholders, issue new shares.

There were no changes in the Fund's approach to capital management during the year and the Fund is not subject to externally imposed capital requirements.

17 Investment committee

Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Kamran Hafeez	Chief Executive Officer	ACA	6 Years
Syed Kashan Kazmi	Chief Financial Officer	MBA	14 Years
Muhammad Asim *	Chief Investment Officer	MBA, CFA (Part II)	5 Years
Pardeep Kumar *	Chief Investment Officer	MBA, CFA	9 Years

* During the year Mr. Muhammad Asim resigned with effect from 30 April 2008. Subsequently, Mr. Pardeep Kumar was appointed as Chief Investment Officer with effect from 01 May 2008.

17.1 No other fund is being managed by Mr. Pardeep Kumar

18 Attendance at meeting of board of directors

The 1st, 2nd, 3rd, 4th and 5th board meetings were held on 24th July 2007, 5th October 2007, 27th October 2007, 27th February 2008 and 26th April 2008 respectively during 1 July 2007 to 30 July 2008.

Name of Director	Number of meetings		Meetings not attended
	Attended	Leave Granted	
Salmaan Taseer	4	1	2nd
Kamran Hafeez *	4	-	-
Khawaja Khalil Shah	-	5	All
Muhammad Naveed Tariq	5	-	-
Mahmood Ali Athar	-	5	All
Muhammad Musharaf Khan	5	-	-
Ahmad Bilal	5	-	-

*Kamran Hafeez was appointed as Chief Executive Officer of the Fund after obtaining approval from SECP with effect from 27 August 2007.

19 Pattern of shareholding

Shareholding pattern of the Fund as at 30 June 2008 is as follows:

Category	Number of Shareholders	Shareholders amount	% of total
Individuals	2,076	19,280,270	64.27
Associated Company	1	3,430,880	11.44
Directors	7	60,500	0.20
Insurance Company	-	-	0.00
Banks/DFIs	1	143,097	0.48
NBFCs	1	800	0.00
Retirement Fund	-	-	0.00
Public Companies Limited	6	3,855,130	12.85
Others	20	3,229,323	10.76
	2,112	30,000,000	100.00

Shareholding pattern of the Fund as at 30 June 2007 is as follows:

Category	Number of Shareholders	Shareholders amount	% of total
Individuals	2,159	19,911,050	66.37
Associated Company	1	3,430,880	11.44
Directors	7	60,000	0.20
Insurance Company	1	15,500	0.05
Banks/DFIs	1	290,500	0.97
NBFCs	1	800	0.00
Retirement Fund	-	-	0.00
Public Companies Limited	9	5,692,230	18.97
Others	22	599,040	2.00
	2,201	30,000,000	100.00

20 Detail of shareholding with five percent or more holding

Detail of share holding with five percent or more holding of the Fund as at 30 June 2008 is as follows:

Category	Number of Shareholders	Shareholders amount	%
First Capital Investments Limited	1	3,430,880	11.44
Sulieman Ahmed Said Al-Hoqani	1	17,086,730	56.96
First Capital Equities Limited	1	3,735,330	12.45

Detail of shares holding with five percent or more holding of the Fund as at 30 June 2007 is as follows:

Category	Number of Shareholders	Shareholders amount	%
First Capital Investments Limited	1	3,430,880	11.44
Sulieman Ahmed Said Al-Hoqani	1	16,892,230	56.31
First Capital Equities Limited	1	5,244,330	17.48

21 Top ten broker transactions

Detail of top ten broker transactions for the year ended is as follows:

Number of broker	2008	2007
Invisor Securities (Private) Limited	17.52	24.49
Atlas Capital (Private) Limited	12.33	-
Aqeel Karim Dhedhi Securities (Private) Limited	12.00	28.25
Elixir Securities Pakistan (Private) Limited	11.75	17.91
Arif Habib Limited	11.50	29.35
KASB Securities Limited	11.45	-
Aziz Fida Hussain	6.77	-
Fortune Securities Limited	4.62	-
BMA Capital Management Limited	4.28	-
JS Global Capital Limited	3.46	-
Others	4.32	-
	100	100

22 Date of authorization for issue

These financial statements were authorized for issue on 29 September 2008 by the board of directors.

23 General

Figures have been rounded off to the nearest rupee.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PERFORMANCE TABLE

	2008	2007	2006	2005
Net assets (Rupees)	337,569,535	380,280,534	176,042,778	142,611,413
Profit/(loss) after tax (Rupees)	(42,710,998)	114,399,756	48,269,365	24,094,637
Net assets value per share (Rupees)	11.25	12.68	11.74	9.51
Earnings/(loss) per share (Rupees)	(1.42)	3.95	3.22	1.61
Final dividend distribution (Per share) - gross	-	1.00	1.00	1.00
Interim dividend distribution (Per share) - gross	-	-	-	-
Distribution Dates - Final dividend	-	30 October 2007	30 October 2006	29 October 2005
Distribution Dates - Interim dividend	-	-	-	-
Total Return (%)	(3.94)	18.04	35.31	20.20
Distribution	-	9.31	11.53	12.64
Capital Growth	(3.94)	8.72	23.78	7.55
Average annualized return of the fund (CAGR) (%)				
One Year	(3.94)	18.04	35.31	20.20
Two Year	2.36	20.89	21.81	54.36
Three Year	8.97	16.84	42.77	18.32

Disclaimer

Past performance is not necessarily indicative of future performance and that unit price and investment return may go down as well as up.

**PROFIT & LOSS ACCOUNT IN RELATION
TO THE INVESTMENT ADVISER**

For the Year Ended 30 June 2008

	2007	2006
	Rupees	Rupees
		Restated
INCOME		
Investment advisory fee	13,308,236	9,392,361
Dividend income	-	861,760
Capital loss	-	(708,674)
Take-up commission	-	149,838
Unrealized (loss)/gain on remeasurement of investments at fair value through profit or loss	(797,128)	1,335,728
	<u>12,511,108</u>	<u>11,031,013</u>
EXPENSES		
Operating expenses	13,827,533	9,482,125
Finance cost	24,385	89,744
	<u>(1,340,810)</u>	<u>1,459,144</u>
Other income/(charges)	44,428	(56,973)
Share of (loss)/profit from associate	(4,158,989)	11,439,976
	<u>(5,455,371)</u>	<u>12,842,147</u>
(LOSS)/PROFIT BEFORE TAXATION	(5,455,371)	12,842,147
Taxation	(85,709)	248,172
Share of taxation from associate	108,599	-
	<u>(5,478,261)</u>	<u>12,593,975</u>
(LOSS)/PROFIT AFTER TAXATION	(5,478,261)	12,593,975
Earnings per share- Basic and Diluted	<u>(1.43)</u>	<u>3.31</u>

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING

As At 30 June 2008

INCORPORATION NUMBER: 0033995 of 08-01-1995

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1617	1	-	100	154,169
222	101	-	500	77,277
87	501	-	1000	81,700
101	1001	-	5000	292,589
32	5001	-	10000	279,000
10	10001	-	15000	127,358
7	15001	-	20000	124,867
6	20001	-	25000	139,500
5	25001	-	30000	143,700
2	30001	-	35000	65,500
2	35001	-	40000	75,400
1	40001	-	45000	41,000
1	45001	-	50000	50,000
1	50001	-	55000	55,000
1	55001	-	60000	60,000
1	65001	-	70000	70,000
1	85001	-	90000	89,000
1	95001	-	100000	100,000
1	140001	-	145000	143,097
1	145001	-	150000	147,403
1	190001	-	195000	193,500
1	275001	-	280000	278,500
1	295001	-	300000	300,000
1	375001	-	380000	380,000
1	1495001	-	1500000	1,500,000
1	1930001	-	1935000	1,930,880
1	2235001	-	2240000	2,239,040
1	2315001	-	2320000	2,318,000
1	2760001	-	2765000	2,760,500
1	3230001	-	3235000	3,233,600
1	3735001	-	3740000	3,735,330
1	8810001	-	8815000	8,814,090
2112				30,000,000

PATTERN OF SHAREHOLDING
As At 30 June 2008

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	60,500	0.202
Associated Companies, undertakings and related parties.	20,517,610	68.392
NIT and ICP	143,193	0.477
Banks, Development Financial Institutions, Non Banking financial Companies	800	0.003
Modarabas and Mutual Funds	178,203	0.594
Insurance Companies	-	-
Share holders holding 10% or more	24,252,940	80.843
General Public		
a) Local	2,193,540	7.312
b) Foreign	17,086,730	56.956
Others		
- Joint Stock Companies	6,526,150	21.754
- Foreign Companies	380,000	-

Note: Some of the shareholders are reflected in more than one category

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
As At 30 June 2008

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
Associated Companies, undertaking and related parties	
First Capital Investments Limited	3,430,880
Sulieman Ahmed Said Al-Hoqani	17,086,730
NIT and ICP	
Investment Corporation of Pakistan	100
National Bank of Pakistan	143,097
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (Director)	56,000
Kamran Hafeez (CEO)	500
Muhammad Naveed Tariq (Director)	1,000
Ahmad Bilal (Director)	1,000
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	1,000
Mahmood Ali Athar (Director)	500
Muhammad Musharaf Khan (Director)	500
Executives	-
Public Sector Companies and Corporations	6,526,150
Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Modarabas and Mutual Funds etc.	179,003
Shareholders holding 10% or more voting interest in the Company	
First Capital Investments Limited	3,430,880
Sulieman Ahmed Said Al-Hoqani	17,086,730
First Capital Equities Limited	3,735,330

First Capital Mutual Fund Limited

FORM OF PROXY

The Company Secretary
First Capital Mutual Fund Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No. _____
Shares Held: _____

I / We _____ of _____
(Name) (Address)

being the member (s) of First Capital Mutual Fund Limited hereby appoint Mr. / Mrs./

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

[who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on October 31, 2008 at 11:00 a.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2008

(Witnesses)

1. _____

2. _____

Affix Revenue Stamp
of Rupees Five

Signature _____
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

- 1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
- 2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
- 3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

