

First Capital Mutual Fund Limited

**HALF YEARLY ACCOUNTS
(UN-AUDITED)**

DECEMBER 31, 2003

First Capital Mutual Fund Limited

Company Information

Board of Directors

Salmaan Taseer

Chairman

Khurram Hanif

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)

Khurram Hanif (Member)

Iqbal Latif (Member)

Syed Kashan Kazmi (Member)

Auditors

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Legal Adviser

Rehman Saleem & Tarar

Advocates

Custodian

Mashreq Bank Pakistan Limited

(formerly Crescent Investment Bank 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, Sheikh Sultan Trust Building No. 2

Beaumont Road

Karachi

☎ (021) 5689021

First Capital Mutual Fund Limited

DIRECTORS' REVIEW

On behalf of the Board of Directors of the Company, I am pleased to present the financial statements of the Company for the 2nd quarter and half year ending December 31, 2003 along with a limited review by the Auditors.

Company's Performance

The period under review saw the Company posting an after-tax profit of Rs. 6.53 million as compared to an after-tax profit of Rs. 15.86 million in the corresponding period last year. This was mainly due to a capital loss of Rs. 17.76 million in the second quarter as the management undertook a portfolio rebalancing exercise to include high yielding and fundamentally strong scrips in the fund. Dividend income reduced due to change in yield factor, as compared to last year.

In the period under review, the stock market recovered gradually from the technical correction experienced in September and growth was in the tune of 10%. Net asset value of the fund appreciated by 4.8% increasing from Rs. 99 million to Rs. 104 million at the end of period.

Future Outlook

The third quarter of the current fiscal year has started with a positive note with the KSE-100 index crossing its all time highest and the market looking stable at this stage. The market capitalization of KSE has crossed the US\$ 20 billion benchmark, which is considered as the minimum qualification for being including in the emerging market index.

Half-yearly results of most of the listed companies are in-line with market expectations, especially PTCL and banking sector companies showing extraordinary improvement. Keeping in view the increased momentum in privatization through stock exchanges, public interest in IPO's of public and private sector companies and more mutual funds in the pipeline, we remain hopeful for a good performance in the future. The management will continue to strive for securing better returns for its shareholders.

For and on behalf of the Board

February 27, 2004
Lahore

Khurrum Hanif
Chief Executive

First Capital Mutual Fund Limited

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed Balance Sheet of **First Capital Mutual Fund Limited** as at **December 31, 2003** and the related Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Distribution Statement together with the notes forming part thereof (here in after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2002 and 2003 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2003.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respect in accordance with approved accounting standards as applicable in Pakistan.

February 27, 2004
Lahore

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

First Capital Mutual Fund Limited

Balance Sheet

as at December 31, 2003

	Note	(Un-Audited) December 31, 2003 Rupees	(Audited) June 30, 2003 Rupees
ASSETS			
Marketable Securities	4	100,230,611	102,098,987
Other Assets			
Dividend and other receivables		1,405,136	16,015,722
Security deposits		150,000	150,000
Bank balances		9,704,641	19,752,436
		11,259,777	35,918,158
Total Assets		111,490,388	138,017,145
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company		1,026,985	2,038,386
Accounts Payable		6,084,827	38,228,888
Provision for taxation		477,329	375,050
		7,589,141	40,642,324
NET ASSETS		103,901,247	97,374,821
SHAREHOLDERS' EQUITY			
Share capital			
Authorised			
35,000,000 (June 30, 2003: 20,000,000)			
Ordinary shares of Rs. 10 each		350,000,000	200,000,000
Issued, subscribed and paid up capital		150,000,000	150,000,000
Accumulated loss		(46,098,753)	(52,625,179)
		103,901,247	97,374,821
CONTINGENCIES AND COMMITMENTS	5	-	-

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

Chief Executive

Director

First Capital Mutual Fund Limited

Profit & Loss Account (Un-audited) for the half year ended December 31, 2003

	SIX MONTHS ENDED		THREE MONTHS ENDED		
	NOTED	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
	Rupees	Rupees	Rupees	Rupees	Rupees
INVESTMENT INCOME					
Gain from transactions in marketable securities	3,720,498	13,398,815	(17,758,142)	9,131,921	
Dividend income	2,045,582	3,923,870	1,581,825	1,571,262	
Other income	45,679	(6,130)	34,100	(6,130)	
	<u>5,811,759</u>	<u>17,316,555</u>	<u>(16,142,217)</u>	<u>10,697,053</u>	
Unrealized gain on investment in marketable securities	3,915,088	864,476	22,153,558	6,211,052	
	<u>9,726,847</u>	<u>18,181,031</u>	<u>6,011,341</u>	<u>16,908,105</u>	
OPERATING EXPENSES					
Administrative expenses	2,071,157	986,471	749,657	577,480	
Remuneration of investment adviser	1,026,985	1,015,485	465,928	586,073	
Financial expenses	-	123,327	-	-	
	<u>3,098,142</u>	<u>2,125,283</u>	<u>1,215,585</u>	<u>1,163,553</u>	
PROFIT BEFORE TAXATION	6,628,705	16,055,748	4,795,756	15,744,552	
PROVISION FOR TAXATION	(102,279)	(196,194)	(79,033)	(78,564)	
PROFIT FOR THE HALF YEAR	<u>6,526,426</u>	<u>15,859,554</u>	<u>4,716,723</u>	<u>15,665,988</u>	
EARNINGS PER SHARE- BASIC	<u>0.44</u>	<u>1.06</u>	<u>0.31</u>	<u>1.04</u>	

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

Chief Executive

Director

First Capital Mutual Fund Limited

Cash Flow Statement (Un-audited) for the half year ended December 31, 2003

	SIX MONTHS ENDED	
	December 31, 2003	December 31, 2002
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,628,705	16,055,748
Adjustment for:		
(Gain) due to change in fair value of marketable securities	(3,915,089)	(864,476)
	(3,915,089)	(864,476)
Operating profit before working capital changes	2,713,616	15,191,272
(Increase)/decrease in assets		
Marketable securities	5,783,465	21,097,955
Security deposits	-	-
Accounts receivable	14,649,793	(8,423,660)
	20,433,258	12,674,295
Increase/(decrease) in current liabilities		
Due to investment adviser	(1,011,400)	(599,515)
Accounts payable	4,390,404	(9,344,956)
	3,379,004	(9,944,471)
Net cash generated from operating activities	26,525,877	17,921,096
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(36,533,103)	(39)
Tax paid	(40,569)	-
Net cash used in financing activities	(36,573,672)	(39)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,047,795)	17,921,057
Cash and Cash Equivalents at the beginning of the period	19,752,436	3,912,612
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	A 9,704,641	21,833,669

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

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

Chief Executive

Director

First Capital Mutual Fund Limited

Distribution Statement (Un-audited)
for the half year ended December 31, 2003

	SIX MONTHS ENDED	
	December 31, 2003	December 31, 2002
	Rupees	Rupees
Accumulated loss brought forward as of July 01,	(52,625,179)	(66,381,518)
Effect of change in accounting policy	-	2,070,421
Profit for the half year	6,526,426	15,859,554
	6,526,426	17,929,975
Accumulated loss carried forward	<u>(46,098,753)</u>	<u>(48,451,543)</u>

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

First Capital Mutual Fund Limited

Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2003

	Share capital	Accumulated loss	Total
	Rupees	Rupees	Rupees
Balance as on June 30, 2002 (Restated)	150,000,000	(64,311,097)	85,688,903
Loss reported for the quarter ended September 30, 2002	-	(2,475,700)	(2,475,700)
Unrealized gain as on September 30, 2002	-	2,669,266	2,669,266
Restated profit for the quarter ended September 30, 2002	-	193,566	193,566
Profit for the quarter ended December 31, 2002	-	15,665,988	15,665,988
Balance as on December 31, 2002	<u>150,000,000</u>	<u>(48,451,543)</u>	<u>101,548,457</u>
Balance as on June 30, 2003	150,000,000	(52,625,179)	97,374,821
Profit for the half year ended December 31, 2003	-	6,526,426	6,526,426
Balance as on December 31, 2003	<u>-</u>	<u>(46,098,753)</u>	<u>103,901,247</u>

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

Chief Executive

Director

First Capital Mutual Fund Limited

Notes to the Accounts (Un-audited) for the half year ended December 31, 2003

1. THE COMPANY AND ITS OPERATIONS

First Capital Mutual Fund Limited (the company) was incorporated on January 08, 1995 as a public limited company under the Companies Ordinance 1984 and commenced its operations on March 14, 1995. The Company is operating under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 with the objective to carry on the business of a "Closed-End" mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges. The company is listed on the Karachi and Lahore Stock Exchanges. The company is domiciled in Lahore, Pakistan and has its registered office in Lahore.

2. BASIS OF PREPARATION

These financial statements are un-audited but subject to limited review by auditors as required by clause (xxi) of Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".

3. ACCOUNTING POLICIES

- 3.1 The accounting policies adopted and applied for the preparation of these half yearly financial statements are consistent with those adopted and applied in preparation of annual financial statements of the company for the year ended June 30, 2003.
- 3.2 The Company continues to enter into transactions with related parties at prices determined on an arm's length basis using the comparable uncontrolled price method.

First Capital Mutual Fund Limited

4. MARKETABLE SECURITIES Held for Trading

NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT DECEMBER 31, 2003			PERCENTAGE IN RELATION TO	
	Opening	Purchase	Bonus/Right	Sales	Cost	Carrying Amount	Market Value	Total Investment	Market Value
RUPEES									
These Securities are ordinary fully paid shares / certificates of Rs. 10/- each unless stated otherwise.									
Closed-End Mutual Fund									
Pakistan Premier Fund Ltd. I.C.P. S.E.M.F	-	10,000 227,500	51,250	10,000 152,000	126,750	6,377,376	6,071,325	7.25	6.06
Moderabas									
First Punjab Moderaba First Prudential Moderaba	-	60,500 100,000	-	60,500 100,000	-	-	-	-	-
Leasing Companies									
National Development Leasing Corp. Ltd Askari Leasing Ltd	100,000 25,000	325,000	-	425,000 25,000	-	-	-	6.34	20.91
Investment Banks/Investment Companies									
First Capital Equities Ltd-Associated Company First Capital Securities Corp. Ltd-Associated Company Atlas Investment Bank P.I.C. Sandique & Co. Ltd Jehangir Siddiqui Investment Bank Ltd Security Investment Bank Ltd	200,000 52,500 14,000 30,000 40,000	16,500 9,500 201,500 100,000 56,500 53,500 5,000	200,000 9,500 7,750 22,300	77,500 201,500 140,750 24,000 31,000 5,000	400,000	5,576,000	8,220,000	6.34	20.91
Commercial Banks									
Muslim Bank Ltd. Muslim Commercial Bank Ltd. National Bank of Pakistan Faysal Bank Ltd. Saudi Pak Commercial Bank Ltd Wharton Bank Ltd PICIC Commercial Bank Ltd	47,500 225,050	175,000 1,085,000 350,000 145,500 147,500	-	222,500 1,310,050 109,000 32,000 145,500	10,000	477,400	515,000	0.54	0.51
Insurance Companies									
International General Insurance So. of Pakistan Ltd. Co. Ltd. Associated Company Commercial Union Life Assurance Co. Ltd. Adamjee Insurance Co. Ltd.	78 772,987 55,000	14,500 67,500 70,000	-	1,500 76,500 70,000	78 785,987 46,000	5,456 6,844,084 871,321	11,700 16,965,897 871,321	0.01 7.04 0.99	0.02 20.00 0.92
Textile Weaving Mills Ltd									
Khinore Textile Mills	-	130,500 215,000	-	215,000	130,500	1,512,130	978,750	1.72	0.98
Textile Composite									
Nishat Mills Ltd Nishat Mills Ltd Sunay Cotton Mills Ltd	50,000 10,000	485,500	-	481,500	4,000	147,078	129,000	0.17	0.13
Cement									
Pioneer Cement Ltd. Lucky Cement Co. Ltd. D.G. Khan Cement Fauji Cement Ltd Maple Leaf Cement Pakland Cement Ltd	150,000	200,000 1,284,000 1,250,000 50,000	-	200,000 1,419,000 600,000 610,000 500,000 1,587,500	25,000 650,000	839,500 4,831,320	639,500 4,831,320	0.73 5.49	0.61 0.47
Synthetic and Rayon									
Dewan Salman Fibre Ibrahim Fibre	-	615,000 10,000	-	615,000 10,000	-	-	-	-	-

First Capital Mutual Fund Limited

Notes to the Accounts (Un-audited) for the half year ended December 31, 2003

5 CONTINGENCIES AND COMMITMENTS

Contingencies:

The company's tax assessments have been finalized up to the DCIT level up to and including the assessment year 2001-2002. The DCIT has raised demand aggregating Rs- 820,725/- for the assessment years 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 for the favourable out come of the appeals

Commitments:

Nil (June 30, 2003: nil)

SIX MONTHS ENDED	
December 31, 2003	December 31, 2002
Rupees	Rupees
6. REMUNERATION OF INVESTMENT ADVISOR	
1,026,985	1,015,285

The remuneration of the Investment Adviser has been calculated as required under rule 53 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which requires that investment adviser is entitled to a remuneration @ 2% of the average annual net assets of the company. (2002: @ 2% of the net assets of the company at the end of its year of accounts in terms of rule 11A of the Investment Companies and Investment Advisor's Rules, 1971).

7. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors and key management personnel and associated companies. The nature of transactions with associated companies is as follows:

Transactions of shares

- Purchases	25,674,715	24,007,700
- Sales	55,586,640	41,378,865
-Commission paid	173,308	164,250
Advisory fee	1,026,985	1,905,571

8 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on February 27, 2004 by the Board of Directors of the company.

9 GENERAL

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

Chief Executive

Director