

First Capital Mutual Fund Limited



**QUARTERLY ACCOUNTS
(UN-AUDITED)**

30 SEPTEMBER 2005

First Capital Mutual Fund Limited



COMPANY INFORMATION

Board of Directors	Salmaan Taseer (Chairman) Muhammad Faisal Potrik (Chief Executive Officer) Sardar Ali Wattoo Khawaja Khalil Shah Muhammad Shuaib Yousaf Muhammad Naveed Tariq Ahmad Bilal
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Muhammad Shuaib Yousaf (Chairman) Sardar Ali Wattoo (Member) Muhammad Naveed Tariq (Member)
Company Secretary	Ahmad Bilal
Investment Committee	Muhammad Faisal Potrik (Chairman) Syed Kashan Kazmi (Member) Ali Ahmad Minhas (Member)
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Adviser	Rehman Saleem & Tarar Advocates
Custodian	Crescent Commercial Bank Limited
Investment Advisers	First Capital Investments Limited 103-C/II, Gulberg-III, Lahore
Registered Office / Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, Modern Motors House, Beaumont Road Karachi ☎ (021) 5689021



DIRECTORS' REVIEW

The director's of First Capital Mutual Fund Limited ("the Company") are pleased to present the reviewed accounts (Un-Audited) of the Company for the quarter ended September 30, 2005.

Company's Performance

During the period under review, the Company recorded a profit of Rs.25.5 million (EPS Rs. 1.70) as against a loss of Rs.3.2 million for the quarter ended September 30, 2004. Salient features of this commendable performance was a realized capital gain of Rs.3.96mn and an unrealized capital gain of Rs.21.62mn, a quantum leap from the same period last year. This turn around is a result of prudent restructuring of the portfolio by the management, creating a balance between market responsiveness and portfolio diversification, in line with our investment objective of consistent long-term returns through active portfolio management.

You would be pleased to note that the Net Asset Value (NAV) per share of your fund increased by 18% in the quarter under review from Rs.9.51 to Rs.11.22. For the same period, the KSE-100 index appreciated by 10%. Thus, your company managed to beat the benchmark index by 8%.

Future Outlook

During the quarter, the stock market managed to break out of the shackles of the March crisis and investor confidence improved. Macro-economic indicators of the economy remain positive. While interest rate rise has benefited banks immensely with their stocks rising on expectations of record earnings, interest rates appear to have peaked thereby mitigating fears of negative impact on the stock market. We expect the market to consolidate at the 8,500 point level with strong fundamentals across index pivotal sectors set to push the index to new highs in due course. We are optimistic regarding the future of the market and we will strive to translate the opportunity presented by the market into value for our stakeholders.

The Directors wish to thank all the shareholders and members of the stock exchanges for the commitment and trust. Moreover, the Directors wish to acknowledge with all sincerity the valuable support & guidance extended by the Securities & Exchange Commission of Pakistan.

For and on behalf of the Board

Lahore
29 October 2005

Muhammad Faisal Potrik
Chief Executive



**BALANCE SHEET (UN-AUDITED)
AS AT 30 SEPTEMBER 2005**

	Note	30 September 2005 Rupees	30 June 2005 Rupees
ASSETS			
NON CURRENT ASSET			
Long Term Deposit		37,500	37,500
CURRENT ASSETS			
Investments - held for trading	5	152,270,642	119,071,285
Trade and other receivables		4,758,145	15,088,499
Bank balances		17,548,932	25,609,014
TOTAL ASSETS		174,615,219	159,806,298
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company		3,399,758	2,624,117
Trade and other payables		2,624,179	14,119,232
Provision for taxation		491,736	451,536
Dividend payable		15,000,000	-
TOTAL LIABILITIES		21,515,673	17,194,885
NET ASSETS		153,099,546	142,611,413
SHARE CAPITAL AND RESERVES			
Share capital Authorized 35,000,000 (June 2005: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		150,000,000	150,000,000
Accumulated profit/(loss)		3,099,546	(7,388,587)
		153,099,546	142,611,413
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 9 form an integral part of these financial statements.

These accounts were authorized for issue by the Board of Directors of the Company on 29 October 2005.

Lahore

Chief Executive

Director



PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005

	Note	Jul to Sep 2005 Rupees	Jul to Sep 2004 Rupees
INVESTMENT INCOME			
Capital Gain on sale of listed securities		3,961,432	815,150
Dividend income		804,000	746,250
Other income		-	18,620
		<u>4,765,432</u>	<u>1,580,020</u>
Unrealized gain/(loss) due to change in fair value of Marketable Securities	5	<u>21,620,240</u>	<u>(3,609,839)</u>
		<u>26,385,672</u>	<u>(2,029,819)</u>
OPERATING EXPENSES			
Administrative expenses		81,699	587,555
Remuneration of investment adviser	6	775,640	582,429
		<u>857,339</u>	<u>1,169,984</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>25,528,333</u>	<u>(3,199,803)</u>
PROVISION FOR TAXATION - Current year		40,200	-
PROFIT/(LOSS) FOR THE PERIOD		<u>25,488,133</u>	<u>(3,199,803)</u>
EARNINGS PER SHARE- BASIC		<u>1.70</u>	<u>(0.21)</u>

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

Lahore

Chief Executive

Director

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CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005

	July to Sep 2005 Rupees	July to Sep 2004 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,528,333	(3,199,803)
Adjustment for:		
Dividend Income	(804,000)	(746,250)
Unrealized (gain)/loss due to change in fair value of listed securities	(21,620,240)	3,609,839
	<u>(22,424,240)</u>	<u>2,863,589</u>
Operating profit before working capital changes	3,104,093	(336,214)
(Increase)/decrease in current assets:		
Investment in listed securities	(26,579,117)	2,307,757
Trade receivables	11,134,354	915,267
	<u>(15,444,763)</u>	<u>3,223,024</u>
Increase/(decrease) in current liabilities		
Due to investment adviser	775,641	582,429
Trade and other payables	3,504,947	691,320
	<u>4,280,588</u>	<u>1,273,749</u>
Net cash (used in)/generated from operating activities	<u>(8,060,082)</u>	<u>4,160,559</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Tax paid	-	-
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET (DECREASE)/INCREASE IN BANK BALANCES	<u>(8,060,082)</u>	<u>4,160,559</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING	<u>25,609,014</u>	<u>6,246,590</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>A 17,548,932</u>	<u>10,407,149</u>

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

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

Lahore

Chief Executive

Director

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**DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	Jul to Sep 2005	Jul to Sep 2004
	Rupees	Rupees
Accumulated loss brought forward	(7,388,587)	(31,483,224)
(Loss)/profit for the quarter	25,488,133	(3,199,803)
Final dividend at the rate of Rs. 1.00 per share	<u>(15,000,000)</u>	<u>-</u>
	<u>3,099,546</u>	<u>(34,683,027)</u>

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

Lahore Chief Executive Director

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	Share Capital	Accumulated (loss)/profit	Total
	Rupees	Rupees	Rupees
Balance as on June 30, 2004	150,000,000	(31,483,224)	(118,516,776)
Loss for the quarter ended September 30, 2004	-	(3,199,803)	(3,199,803)
Balance as on September 30, 2004	<u>150,000,000</u>	<u>(34,683,027)</u>	<u>(115,316,973)</u>
Balance as on June 30, 2005	150,000,000	(7,388,587)	142,611,413
Profit for the quarter ended September 30, 2005	-	25,488,133	-
Final Dividend at the rate of Rs.1.00 per share	-	(15,000,000)	-
Balance as on September 30, 2005	<u>150,000,000</u>	<u>3,099,546</u>	<u>153,139,746</u>

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

Lahore Chief Executive Director



**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

1 First Capital Mutual Fund Limited (the company) was incorporated in Pakistan on January 08, 1995 as a public limited company under the Companies Ordinance, 1984, having registered office at 103-C/II Gulberg III, Lahore. The company commenced its operations on March 14, 1995. The company is listed on Karachi and Lahore Stock Exchanges. It was registered with the Securities and Exchange Commission of Pakistan ('Commission') as an Investment Company under the Investment Companies and Investment Advisor's Rules, 1971. The Investment Companies and Investment Advisor's Rules, 1971, have been repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Subsequently the company has been registered with the Commission as an investment company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The objective of the company is to carry on the business of a close-ended mutual fund and to invest its assets in securities, which are listed on the stock exchange.

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

- 2 These financial statements are unaudited and are being submitted to the shareholders under section 245 of the Companies Ordinance 1984 and are in accordance with the directives issued by Securities and Exchange Commission of Pakistan.
- 3 These financial statements have been prepared in accordance with the requirements of International Accounting Standard -34 "Interim Financial Reporting".
- 4 Accounting policies adopted for the preparation of these quarterly financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2005.

5. INVESTMENTS

NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT 30 SEPTEMBER 2005				PERCENTAGE IN RELATION TO			
	Purchase		Market		Carrying Amount	Market Value	Unrealized gain/(loss)	Own net assets At Cost	No. of Shares		Total Investment	
	Opening	Bonus/Right	Sales	Closing Balance					Market	Company		
Investee	At Cost	Market			RUPEES				Value	Company	Value	
These securities are ordinary/ fully paid shares / certificates of Rs. 10/- each unless stated otherwise.												
Investment Companies / Banks												
First Capital Equities Limited	215,000	-	-	215,000	2,997,100	12,685,000	-	2,11	8.91	0.90	2.55	8.33
Commercial Banks												
National Bank of Pakistan	91,960	-	30,000	100,000	10,869,972	14,545,000	3,569,750	7.63	10.22	0.02	9.24	9.55
Bank of Punjab Limited	-	50,000	-	20,000	3,078,339	3,537,000	468,661	2.16	2.48	-	2.62	2.32
Muslim Commercial Bank Limited.	-	90,500	-	50,500	4,507,864	5,052,000	544,136	3.17	3.55	-	3.83	3.32
Union Bank Limited	196,394	6	6,000	190,400	7,997,339	9,862,720	2,341,901	5.62	6.93	0.08	6.80	6.48
Bank Al Falah Ltd.	-	20,500	-	20,500	-	-	-	-	-	-	-	-
Textile Composite												
Nishat Mills Limited	25,000	-	-	25,000	2,507,020	1,900,000	462,500	1.76	1.66	0.02	2.13	1.55
Ashat (Chunian) Limited	110,250	-	50	110,200	7,419,193	10,480,020	1,807,280	5.21	8.63	0.16	6.31	8.07
Kohinoor Textile Mills Limited	-	10,000	-	10,000	385,770	335,000	(50,770)	0.27	0.24	-	0.33	0.22
Suraj Cotton Mills Limited	60,000	-	-	60,000	-	-	-	-	-	-	-	-
Textile Spinning												
Gadon Textile Mills Limited	30,000	-	-	30,000	-	-	-	-	-	-	-	-
Dewan Salman Fibre Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Synthetic & Rayon												
Maple Leaf Cement Co. Ltd.	-	50,000	-	50,000	-	-	-	-	-	-	-	-
Dewan Cement Limited (R)	-	41,500	-	41,500	-	-	-	-	-	-	-	-
Dewan Cement Limited	41,512	-	-	41,512	228,316	788,728	(682,872)	0.16	0.48	0.05	0.19	0.45
(Formerly Pakland Cement Limited)												
D.G.Khan Cement Company Limited	60,000	-	-	60,000	-	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Refinery												
National Refinery Limited	3,500	3,500	-	7,000	1,917,598	2,387,955	139,045	1.35	1.77	0.01	1.63	1.86
Attock Refinery Limited	-	15,000	3,000	5,000	2,175,663	2,346,500	170,817	1.53	1.65	0.02	1.85	1.54
Power Generation and Distribution												
Koi Adu Power Company Limited	121,000	-	-	75,000	1,980,998	1,980,998	216,802	1.39	1.54	-	1.88	1.44
Hui Power Company Limited	29,000	-	-	29,000	5,710,420	5,684,895	1,552,905	4.01	5.08	0.02	4.85	4.75
Oil & Gas Marketing Companies												
Pakistan State Oil Company Limited	25,000	10,000	-	10,000	9,253,198	9,558,090	66,910	6.50	6.76	0.01	7.87	6.32
Shell Pakistan Limited	10,000	4,000	500	11,000	1,921,350	1,797,568	302,412	1.35	1.47	0.01	1.63	1.38
Sui Northern Gas Pipelines Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	-

First Capital Mutual Fund Limited



First Capital Mutual Fund Limited



Oil & Gas Exploration Companies												
Pakistan Oil Fields Limited	50,000	5,000	-	10,000	12,526,098	12,903,165	4,421,835	8.80	12.17	0.03	10.65	11.38
Oil & Gas Development Company Limited	75,000	110,000	-	50,000	13,952,519	14,490,465	909,535	9.80	10.81	0.00	11.86	10.11
Pakistan Petroleum Limited	-	25,000	-	5,000	3,625,104	3,914,000	288,896	2.55	2.75	0.00	3.08	2.57
Automobile Assembler												
Indus Motors Limited	60,300	-	-	15,300	5,468,733	4,050,000	1,935,000	3.84	4.20	0.06	4.65	3.93
Technology & Communication												
Pakistan Telecommunication Company Limited	50,000	70,000	-	15,000	6,902,687	6,792,912	(355,412)	4.85	4.54	0.00	5.87	4.24
Calmatel Teles Telecom Limited	-	75,000	-	75,000	-	-	-	-	-	-	-	-
Worldcall Communications Limited*	10,000	-	-	10,000	-	-	-	-	-	-	-	-
Fertilizer												
Engro Chemical Limited	-	5,000	-	5,000	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	33,190	24,500	7,500	190	6,690,645	7,196,417	1,269,833	4.70	5.95	0.02	5.69	5.56
Fauji Fertilizer Bin Qasim Limited	125,000	75,000	-	200,000	5,501,659	5,695,340	1,654,660	3.86	5.16	0.02	4.68	4.83
Pharmaceuticals												
Glaxo Smithkline	23,400	-	-	23,400	-	-	-	-	-	-	-	-
Chemicals												
ICI Pakistan Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-
Paper & Board												
Packages Limited	3,525	-	-	3,525	-	-	-	-	-	-	-	-
Total					117,619,550	130,650,402	152,270,642		21,620,240			
June 30, 2005					1,07,726,137	119,787,742	119,071,285		(716,457)			

* These are related parties.

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

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

5.3 The percentage in relation to the investee company's paid up capital has been calculated with reference to the number of shares held in that investee company.



**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	30 September 2005 Rupees	30 September 2004 Rupees
6. DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS LIMITED-AN ASSOCIATED COMPANY		
Average annual net assets after charging remuneration of Investment Advisor & annual fee to SECP	155,128,067	107,431,792
Remuneration @ 2% of annual average net assets	775,640	582,429

7. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company's tax assessments have been finalized up to the taxation officer level till Tax Year 2004. The DCIT raised tax demands aggregating to Rs. 820,725/- for the assessment years from 1998-1999 to 2002-2003, which are being contested at the appellate level. Provision for additional tax liability has not been made in these financial statements, as the Company is confident of favourable outcome of the appeals.

Commitments

Rs. Nil (June 2005: Nil).

8. TRANSACTIONS WITH RELATED PARTIES

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

	Jul to Sep 2005 Rupees	Jul to Sep 2004 Rupees
First Capital Equities Limited		
Purchase of shares	-	4,560,100
Sale of shares	-	1,270,395
Commission paid	-	7,612
First Capital Investments Limited		
Fee to investment advisor	775,640	582,429

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

9. GENERAL

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director



**STATEMENT OF INCOME AND EXPENDITURE
IN RELATION TO THE INVESTMENT
ADVISORY COMPANY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

Note	Jul to Sep 2005 Rupees	Jul to Sep 2004 Rupees
REVENUE		
Investment advisory fee from FCMF	775,640	582,429
Investment advisory fee from SHNI	220,691	-
	996,331	582,429
ADMINISTRATIVE EXPENSES	1,239,230	568,521
OPERATING PROFIT / (LOSS)	(242,899)	13,908
OTHER INCOME	265,159	-
	22,260	13,908
Financial Expenses	-	1,547
NET OPERATING PROFIT	22,260	12,361
TAXATION	-	2,912
PROFIT AFTER TAXATION	22,260	9,449
Accumulated (loss)/profit brought forward	(988,239)	1,307,501
Accumulated (loss)/profit brought forward	(965,979)	1,316,950

Lahore

Chief Executive

Director