



## MISSION

At First Capital Mutual Fund we would focus on creating wealth for unitholders, 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.

## VISION

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 unitholders of First Capital Mutual Fund.





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## FUND'S INFORMATION

### Management Company

First Capital Investments Limited

### Board of Directors of the Management Company

Aamna Taseer	Chairman/Director	Non-Executive
Shahzad Jawahar	CEO/Director	Executive
Syed Nadeem Hussain	Director	Independent
Myra Husain Qureshi	Director	Independent

### CFO and Company Secretary of the Management Company

Chief Financial Officer	Syed Asad Abbas Ali Zaidi
Company Secretary	Abdul Sattar

### Audit Committee

Syed Nadeem Hussain	Chairman
Aamna Taseer	Member
Myra Husain Qureshi	Member

### HR&R Committee

Aamna Taseer
Shahzad Jawahar
Syed Nadeem Hussain

### Trustee

Central Depository Company  
of Pakistan Limited  
CDC House, 99-B, S.M.C.H.S  
Main Shahrah-e-Faisal,  
Karachi

### Registrar & Transfer Agent

IT MINDS Limited  
-A Subsidiary of CDC  
BPO Services, CDC House 99-  
Block-B, SMCHS, Main  
Shahrah-e -Faisal, Karachi -74400  
Tel: 021-111-111-500-1510

### Bankers to the Fund

Habib Metropolitan Bank  
Limited  
NIB Bank Limited

### Auditors of the Fund

A.F. Ferguson & Co.  
Chartered Accountants  
23-C-Aziz Avenue, Canal  
Bank, Gulberg V, Lahore -  
54660

### Auditors of the Management Company

Nasir Javaid Maqsood Imran  
Chartered Accountants  
2<sup>nd</sup> Floor, Above the Motor  
Point  
26-A, Queens Road, Lahore

### Legal Advisor of the Fund

Ebrahim Hosain  
156-1, Scotch Corner, Upper  
Mall, Lahore

### Head office & Registered Office

2<sup>nd</sup> Floor, Pace Shopping  
mall, Fortress Stadium,  
Lahore Cantt, Lahore  
Tel: 042-366230005-6-8  
Fax:042-36623121-22

### Islamabad office

Office No. 221, 2<sup>nd</sup> Floor, ISE  
Tower, Jinnah Avenue,  
Islamabad  
Tel: 051-8356031-34,  
2894201-4  
Fax: 051-2894206

### Karachi Office

4<sup>th</sup> Floor, Lakson Square  
Building No. 1, Sarwar  
Shaheen Road, Karachi  
Tel: 021-111-226-226  
Fax: 021-35656710



## DIRECTORS' REPORT

The Board of Directors of First Capital Investments Limited ("FCIL" or "Management Company") is pleased to present the annual report of First Capital Mutual Fund ("the Fund" or "FCMF" or "the Scheme") together with the annual audited financial statements of the Fund for the financial year ended 30 June 2014.

### CONVERSION OF THE FUND INTO AN OPEN END SCHEME

Refer to the note 1 of financial statements, pursuant to the Regulation 65 of the NBFC & NE Regulations 2008 the Fund was converted into open end scheme effective from 30 July 2013.

### EQUITY MARKET REVIEW

KSE-100 index posted a stellar return of around 41% during Financial Year 2014 (FY14) and closed the year at the level of 29,653 points. Major developments were witnessed at the economic front that had triggered the positive sentiments in the market. The successful entry into new IMF program, significant accumulation of reserves, contained inflation, lower fiscal deficit, successful Secondary Public Offering (SPO) of UBL and PPL, successful auction of 3G & 4G licenses and the positive response of international investors to Eurobond issued by Government of Pakistan were major economic catalysts that had supported the optimism at local bourse. Furthermore, during FY 14 the increase in weight of Pakistan in MSCI Frontier Market Index facilitated the KSE-100 index to hit the highest levels.

During FY14 Oil and Gas sector heavily underperformed the market due to significant selling pressure and SPO overhang of two oil exploration companies. Banking sector outperformed the index on the back of 100 basis points increase in the discount rate, significant exposure toward high yielding PIBs and revitalization in private sector credit. Automobile & Parts sector significantly outperformed the market as the strength of PKR positively impacted the earnings of the companies in this sector. Constructions & Material sector also outperformed the market on the basis of continuous improvement in margins and improving domestic demand. Despite of the grant of GSP plus status, the unfavorable yarn margins and appreciation in the value of PKR made the Textile sector underperform the market. Increase in gas prices through increase in Gas Infrastructure Development Cess (GIDC) exerted the pressure on the performance of Fertilizer sector and resultantly this sector underperformed the market.

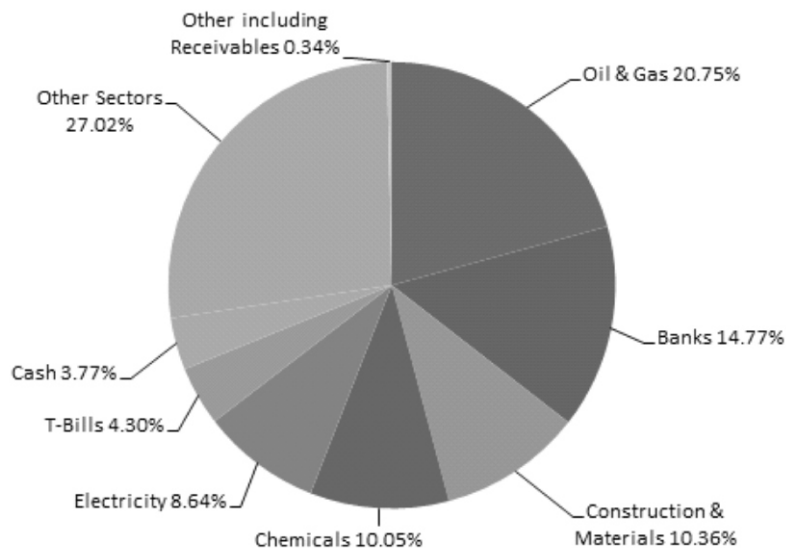
We continue to remain optimistic on market on the back of government's commitment towards fiscal and public sector reforms, consistent foreign flows and strong corporate earnings outlook with large payout expectations. Political noise and security conditions remain the key risks, where any escalation in the same may dampen sentiments and cap upside. Our long-term view on Pakistan equities, nevertheless, remains very bullish and we continue to position the fund accordingly.

### FUND'S PERFORMANCE

During the 11 months period under review from 30 July 2013 to 30 June 2014, the Fund has posted a return of 23.64% as compared to 27.18% increase in benchmark KSE-100 index, thereby underperforming the benchmark by 3.54%. The underperformance is mainly witnessed due to lackluster performance of key stocks in Chemicals and Electricity Sector. Furthermore, the exposure of Fund in Non-Life Insurance Sector also contributed towards the underperformance of the Fund.

First Capital Mutual Fund has earned a total income of PKR 76.495 million during the period under review. After deducting total expenses of PKR 16.116 million, the net income from operating activities is PKR 60.379 million. The net income after taxation for the period remained at PKR 62.282 million.

The asset allocation of FCMF as on June 30, 2014 is as follows:



## INCOME DISTRIBUTION

During the period under review, the Board of Directors of the Management Company has approved two interim distributions of 6% and 7.5% of par value each in shape of bonus units. The Board further approved the nil final distribution, translating into total distribution of 13.5% of par value for the period under review.

## TAXATION

As the above distribution is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

## WORKERS' WELFARE FUND

The Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 7,384,679, if the same were not made the NAV per unit/return of the Scheme would be higher by Rs.0.2593/2.93%. For details investors are advised to read Note 11 of the latest Financial Statements of the Scheme.

## DECLARATION BY DIRECTORS

As required under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of Asset Management Company state that the financial statements of the Fund for the period from July 30, 2013 to June 30, 2014 give a true and fair view of the fund.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the state of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts of the Fund have been maintained;
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;



4. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 & None-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan, have been followed in the preparation of the financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There have been no significant doubts upon the Funds' ability to continue as going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
8. Performance table of the Fund is Given on page 46 of the Annual Report;
9. There is no statutory payments on account of taxes, duties, levies and charges outstanding other than already disclosed in the financial statements;
10. The statements as to the value of investments of Provident Fund is not applicable in the case of the Fund as employees post-employment benefits expenses are borne by the Management Company;
11. There have been no trades in the units of the Fund's carried out by the Directors, CEO, CFO, CIA and the Company Secretary and their spouse;
12. The Shareholders of First Capital Investments Limited in an Extraordinary General meeting held on 14 February 2014 have elected four directors for the next tenure of three years commencing from 15 February 2014. Consequent upon the completion of the previous tenure of Board of Directors on 14 February 2014;
13. Meeting of the Board of Directors of the Management Company are held at least once in each quarter. During the year five meetings were held on 08 October 2013, 30 October 2013, 14 February 2014, 25 April, 2014 and 26 June, 2014 respectively. Information in respect of attendance by directors in the meeting is given below;

S. No.	Name of Director	Number of Board of Directors meetings held	Attended	Leave granted	Meeting not attended
1.	Aamna Taseer	5	5	-	-
2.	Shahzad Jawahar	5	5	-	-
3.	Syed Nadeem Hussain	5	5	-	-
4.	Jawad Saleem	1	1	-	-
5.	Syed Ghazanfar Ali Bukhari	1	1	-	-
6.	Awais Akbar	1	1	-	-
7.	Myra Husain Qureshi	-	-	-	-

14. The Board of the Company has formed Human Resource and Remuneration Committee comprised of the following members of the Board:

Aamna Taseer  
 Shahzad Jawahar  
 Syed Nadeem Hussain

No meeting of committee held during the period from 30 July 2013 till to date.

15. Meeting of the Board's Audit Committee of the Management Company are held at least once in each quarter. During the year four meetings were held on October 8, 2013, October 30, 2013, February 14, 2014 and April 25, 2014 respectively. Information in respect of attendance by directors in the meeting is given below:

S. No.	Name of Director	Number of Audit Committee meetings held	Attended	Leave granted	Meeting not attended
1	Aamna Taseer	4	4	-	-
2	Syed Nadeem Hussain	4	4	-	-
3	Jawad Saleem	1	1	-	-
4	Syed Ghazanfar Ali Bukhari	1	1	-	-
5	Awais Akbar	1	1	-	-
6	Myra Husain Qureshi				

16. The details as required by the Code of Corporate Governance regarding the pattern of holding in Fund, is given on page no. 47.

### CHANGES IN BOARD OF DIRECTORS

During the period under review, Mr. Jawad Saleem resigned from the services as director on 12 November 2013 and replaced by Syed Ghazanfar Ali Bukhari. Mr. Bukhari resigned from the services as director on 25 April 2014 and replaced by Mr. Awais Akbar. Subsequently, Mr. Awais Akbar resigned from the services as director on 10 July 2014 and replaced by Miss Myra Husain Qureshi.

### CHANGES IN AUDIT COMMITTEE

During the period under review, Mr. Jawad Saleem resigned from the audit committee on 12 November 2013 and replaced by Syed Ghazanfar Ali Bukhari. Mr. Bukhari resigned from the audit committee on 25 April 2014 and replaced by Mr. Awais Akbar. Subsequently, Mr. Awais Akbar resigned from the audit committee on 10 July 2014 and replaced by Miss Myra Husain Qureshi.

### AUDITORS

M/s. A.F. Ferguson & Co. (Chartered Accountants) being eligible for re-appointment, have been appointed as auditors, on the recommendation of the Audit Committee of the Board of Directors, for the year ending 30 June 2015.

### FUND PERFORMANCE RANKING

Pursuant to the Regulation 65 of the NBFC & NE Regulations 2008 the Fund was converted into open end scheme effective from 30 July 2013. FCIL has initiated the process of performance ranking as per the requirements of the Regulations and the short term performance ranking for FY 14 is 3 stars as issued by Pakistan Credit Rating Agency (PACRA).

### MANAGEMENT QUALITY RATING

PACRA has maintained the asset management rating 'AM4+' (AM Four Plus) of FCIL while keeping it under 'Rating Watch'.

### ACKNOWLEDGMENT

We are thankful to our valued investors who have placed their confidence in us. The Board is also thankful to Securities & Exchange Commission of Pakistan, the Trustee (Central Depository Company of Pakistan Limited) and the management of Lahore Stock Exchange Limited for their continued guidance and support. The Directors also appreciate the efforts put in by the management teams.

**For and on behalf of the Board**

Lahore:  
September 19, 2014

**Aamna Taseer**  
Chairman / Director

**Shahzad Jawahar**  
Chief Executive Officer/Director



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### FIRST CAPITAL MUTUAL FUND

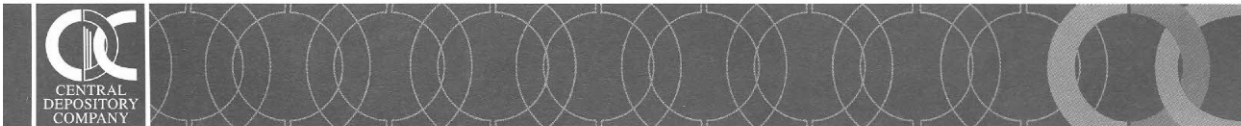
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the  
Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of First Capital Mutual Fund (the Fund) are of the opinion that First Capital Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the period July 30, 2013 to June 30, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 24, 2014





## FUND MANAGER REPORT FOR THE YEAR ENDED JUNE 30, 2014

### First Capital Mutual Fund

First Capital Mutual Fund (“FCMF” or “the Fund”) is an open end equity fund.

### Investment Objective of the Fund

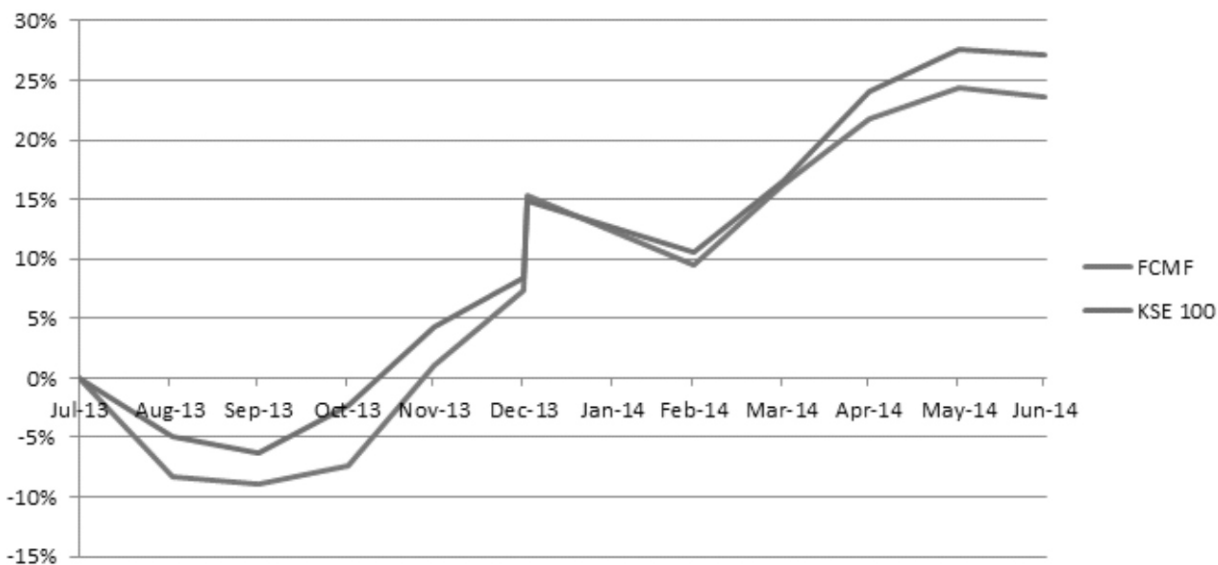
The objective of FCMF is to augment wealth of investors through investments geared toward securing maximum returns whilst simultaneously offsetting resulting risks through efficient diversification across sectors with low correlation amongst them. The management of the Fund is continuously striving towards achieving this objective.

### Benchmark

The Benchmark of the Fund is KSE-100 Index.

### Fund Performance Review

During the 11 months period under review from 30 July 2013 to 30 June 2014, the Fund has posted a return of 23.64% as compared to 27.18% increase in benchmark KSE-100 index, thereby underperforming the benchmark by 3.54%. The under performance is mainly witnessed due to lackluster performance of key stocks in Chemicals and Electricity Sector. Furthermore, the exposure of Fund in Non-Life Insurance Sector also contributed towards the underperformance of the Fund, moreover provisioning of FED during period under review also put some pressure on NAV and performance. The strategy adopted by the fund is to invest in blue-chip stocks and refrain from the investments in the Companies that are currently in losses while mainly pursuing the principle of buy and hold. The performance of the Fund is net of management fee and all other expenses. The chart below shows the performance of FCMF against the benchmark for the period under review:



## Summary of Key Investment Decisions during the Year

The period under review started with around 77% of total assets invested in equities. However during the period, the fund adjusted its exposure in equities with focus on diversification in different sectors. Resultantly as on June 30, 2014 the fund is 94.99% of total assets invested in equities.

The handsome growth in the NAV and efficient diversification across sectors implies that the FCMF has met its investment objective.

## Stock Market Review

KSE-100 index posted a handsome return of around 41% during Financial Year 2014 (FY14) and closed the year at the level of 29,653 points. The major developments at the economic front that had triggered the positive sentiments in the market are as follows:

- Successful entry into new IMF program;
- Significant accumulation of reserves and contained inflation;
- Lower fiscal deficit;
- Successful Secondary Public Offering (SPO) of UBL and PPL;
- Successful auction of 3G & 4G licenses;
- Positive response of international investors to Eurobond issued by Government of Pakistan and;
- Increase in weight of Pakistan in MSCI Frontier Market Index.

During FY14 the performance of different sectors is as follows:

- Oil and Gas sector heavily underperformed the market due to significant selling pressure and SPO overhang of two oil exploration companies;
- Banking sector outperformed the index on the back of 100 basis points increase in the discount rate, significant exposure toward high yielding PIBs and revitalization in private sector credit;
- Automobile & Parts sector significantly outperformed the market as the strength of PKR positively impacted the earnings of the companies in this sector;
- Constructions & Material sector also outperformed the market on the basis of continuous improvement in margins and improving domestic demand;
- Despite of the grant of GSP plus status, the unfavorable yarn margins and appreciation in the value of PKR made the Textile sector underperform the market and;
- Increase in gas prices through increase in Gas Infrastructure Development Cess (GIDC) exerted the pressure on the performance of Fertilizer sector and resultantly this sector underperformed the market.

We continue to remain optimistic on market on the back of government's commitment towards fiscal and public sector reforms, consistent foreign flows and strong corporate earnings outlook with large payout expectations. Political noise and security conditions remain the key risks, where any escalation in the same may dampen sentiments and cap upside. Our long-term view on Pakistan equities, nevertheless, remains bullish and we continue to position the fund accordingly.

## Asset Allocation of the Fund (% of total assets)

Asset Category	19-Sep-2014	30-June-2014
Equities	90.21%	94.99%
Treasury Bills	3.07%	3.00%
Cash held for redemptions	3.96%	1.65%
Others including receivables	2.76%	0.36%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Income Distribution**

Date	Dividend as % of Par Value (Bonus Units)	Cum Dividend NAV per Unit (Rs.)	Ex- Dividend NAV per Unit (Rs.)
14-Feb-2014	6.00%	11.3906	10.7458
25-June-2014	7.50%	11.6590	10.8456

**Pattern of Unit Holders of the FCMF as on June 30, 2014**

The pattern of Unit Holders of the FCMF as on June 30, 2014 is attached.

**Workers' Welfare Fund**

The Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of PKR 7,384,679, if the same were not made the NAV per unit/return of the Scheme would be higher by Rs.0.2593/2.93%. For details investors are advised to read Note 11 of the latest Financial Statements of the Scheme.

**Disclosures**

- There have been no significant changes in the state of affairs of the Fund during the period under review and up till the date of fund manager report, not otherwise disclosed in the financial statements.
- During the period under review, there were no circumstances that materially affected any interests of the unit holders.

The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealers(s) by virtue of transactions conducted by the Fund.

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

**First Capital Mutual Fund  
For year ended 30 June 2014**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35 of listing regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

The Board of Directors (“the Board”) of First Capital Investments Limited, (“the Asset Management Company”) an un-listed public company, manages the affairs of First Capital Mutual Fund (“the Fund”). The Fund being a unit trust open ended scheme does not have its own board of Directors. The Management Company has applied the principles contained in the Code to the fund, whose units are listed as a security on the Lahore Stock Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Non-Executive Director	Aamna Taseer
Independent Directors	Syed Nadeem Hussain Myra Husain Qureshi
Executive Director	Shahzad Jawahar

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurring during the year under review is filled up by the directors within 90 days.
5. The Management Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Fund along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. 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. 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. As required by the Code, all the directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the year from June 30, 2012 to June 30, 2016. During the year ended June 30, 2014 no Director on the Board attended training as required under the code. However, subsequent to year end, two of the Directors of the Management Company attended training programs and attained certification under the 'Board Development Series' program.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's 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 Fund 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 units of the Fund other than those disclosed in the Directors Report, pattern of unit holding and notes to the financial statements.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The board has formed an audit committee. It comprises of three members, all of whom are non-executive directors of the Management Company, while the Chairman is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the audit committee have been approved in the meeting of the Board and the committee has been advised to ensure compliance with those terms of reference.
17. The board of directors of Asset Management Company of the Fund has formed a Human Resource and Remuneration Committee. It comprises of three members, including CEO and the chairman of the committee is an independent director.
18. The board of directors of Asset Management Company of the Fund has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund 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 ICAP.
20. 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.
21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially be determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the Code have been complied with.

**For and on behalf of the Board**

Lahore:  
September 19, 2014

**Aamna Taseer**  
Chairman/Director

**Shahzad Jawahar**  
Chief Executive Officer/Director



## **REVIEW REPORT TO THE UNIT HOLDERS ON THE 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 (the 'Code') prepared by the Board of Directors of First Capital Investment Limited, the Management Company of **FIRST CAPITAL MUTUAL FUND** to comply with the Listing Regulation No 35 of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. 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 Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Regulation 35 (X) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the period from July 30, 2013 to June 30, 2014.

Further, we highlight below instance of non-compliance with the requirement of the code as reflected in the paragraph 9 where it is stated in the Statement of Compliance:

As required by the Code, all the directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the year from June 30, 2012 to June 30, 2016. During the year ended June 30, 2014 no Director on the Board attended training as required under the code. However, subsequent to year end, two of the Directors of the Management Company attended training programs and attained certification under the 'Board Development Series' program conducted by Institute of Corporate governance.

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **First Capital Mutual Fund** (herein after referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period July 30, 2013 to June 30, 2014, and a summary of significant accounting policies and other explanatory notes.

#### **Management Company's responsibility for the financial statements**

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2014 and of its financial performance, cash flows and transactions for the period July 30, 2013 to June 30, 2014 in accordance with the approved accounting standards as applicable in Pakistan.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**LAHORE**

**Dated: September, 19 2014**

**A.F. Ferguson & Co.**  
Chartered Accountants  
**(Muhammad Masood)**



**STATEMENT OF ASSETS AND LIABILITIES**

*AS AT JUNE 30, 2014*

	<i>NOTE</i>	<b>2014 Rupees</b>
<b>ASSETS</b>		
Balances with banks	4	5,457,823
Investments	5	324,083,933
Dividend and profit receivable	6	567,925
Advances, deposits and other receivable	7	621,936
<b>Total assets</b>		<u>330,731,617</u>
<b>LIABILITIES</b>		
Payable to First Capital Investments Limited (FCIL) - Management Company	8	3,965,669
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	57,535
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	279,699
Unclaimed dividend		6,018,438
Provision for Workers' Welfare Fund	11	7,384,679
Accrued expenses and other liabilities	12	600,005
<b>Total liabilities</b>		<u>18,306,025</u>
<b>Net assets</b>		<u>312,425,592</u>
<b>Unit holders' funds (as per statement attached)</b>		<u>312,425,592</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	13	<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>	14	<u>28,481,812</u>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>		<u>10.97</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

**For First Capital Investments Limited  
(Management Company)**

Chief Executive

Director



**INCOME STATEMENT**

**FOR THE PERIOD FROM JULY 30, 2013 TO JUNE 30, 2014**

	<i>NOTE</i>	<b>For the period from July 30, 2013 to June 30, 2014 Rupees</b>
<b>INCOME</b>		
Dividend income		18,645,616
Capital gain on sale of investments		18,351,679
Income from market treasury bills		576,503
Profit on savings accounts with banks		762,329
Back end load and other income	15	12,060,883
Unrealized appreciation on re-measurement of investments at fair value through profit or loss	5	<u>26,098,064</u>
		<u>76,495,074</u>
<b>EXPENSES</b>		
Remuneration to FCIL - Management Company	8.1	<u>8,049,118</u>
Punjab Sales Tax on Management Company's remuneration	8.2	<u>1,287,698</u>
Federal Excise Duty on Management Company's remuneration	8.3	<u>1,287,698</u>
Remuneration to CDC - Trustee	9.1	<u>644,384</u>
Annual fee to SECP	10.1	<u>254,884</u>
Conversion cost		<u>2,793,726</u>
Securities transaction costs		<u>356,105</u>
Bank and settlement charges		<u>317,374</u>
Auditors' remuneration	16	<u>861,995</u>
Fund's rating fee		<u>100,000</u>
Annual listing fee		<u>73,000</u>
Printing and postage charges		<u>89,926</u>
<b>Total expenses</b>		<u>16,115,908</u>
<b>Net income from operating activities</b>		<b>60,379,166</b>
Element of income and capital gain included in prices of units issued less those in units redeemed - net		<b>3,200,146</b>
Provision for Workers' Welfare Fund	11	<b>(1,297,340)</b>
<b>Net income for the period before taxation</b>		<u><b>62,281,972</b></u>
Taxation	17	<b>-</b>
<b>Net income for the period after taxation</b>		<u><b>62,281,972</b></u>
Other comprehensive income for the period		<b>-</b>
<b>Total comprehensive income for the period</b>		<u><u><b>62,281,972</b></u></u>
Earnings per unit	18	

The annexed notes 1 to 29 form an integral part of these financial statements.

**For First Capital Investments Limited  
(Management Company)**

**Chief Executive**

**Director**



**DISTRIBUTION STATEMENT**

*FOR THE PERIOD FROM JULY 30, 2013 TO JUNE 30, 2014*

**For the period  
from July 30,  
2013 to June  
30, 2014  
Rupees**

**Undistributed income brought forward**

Realized income  
Unrealized income

-  
-  

---

-

**Undistributed income transferred from  
First Capital Mutual Fund Limited**

Realized loss  
Unrealized income

(60,498,233)  
63,819,075  

---

3,320,842

Net income for the period

62,281,972

Less: Issue of 1,506,054 bonus units against interim distribution as on February 14, 2014

(16,183,752)

Less: Issue of 1,987,103 bonus units against interim distribution as on June 25, 2014

(21,551,326)

**Undistributed income carried forward**

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27,867,736

**Undistributed income comprising:**

Realized Loss  
Unrealized income

(62,049,403)  
89,917,139  

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27,867,736

The annexed notes 1 to 29 form an integral part of these financial statements.

**For First Capital Investments Limited  
(Management Company)**

Chief Executive

Director



## CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 30, 2013 TO JUNE 30, 2014

For the period  
from July 30,  
2013 to June  
30, 2014  
Rupees

NOTE

### CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	62,281,972
<b>Adjustments</b>	
- Dividend income	(18,645,616)
- Back end load and other income	(12,060,883)
- Element of loss and capital losses included in prices of units redeemed	(3,200,146)
- Profit on savings accounts with banks	(762,329)
- Provision for WWF	1,297,340
- Provision for FED	1,287,698
Unrealized appreciation on re-measurement of investments at fair value through profit or loss	(26,098,064)
	(58,182,000)
<b>Decrease / (increase) in assets</b>	
Investments	16,974,752
Advances, deposits, prepayments and other receivables	(197,556)
	16,777,196
<b>Decrease / (increase) in liabilities</b>	
Payable to First Capital Investments Limited (FCIL) - Management Company	3,359,655
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	57,535
Payable to Securities and Exchange Commission of Pakistan (SECP)	(35,377)
Accrued expenses and other liabilities	(1,411,369)
	1,970,444
Profit received on saving accounts with banks	834,223
Dividend received	18,139,088
<b>Net cash generated from operating activities</b>	<b>41,820,923</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Dividend paid	(42,048,859)
Payments against redemption of units	(46,916,193)
<b>Net cash used in financing activities</b>	<b>(88,965,052)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(47,144,129)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	-
<b>Cash and cash equivalents transferred from First Capital Mutual Fund Limited</b>	<b>52,601,952</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,457,823</b>

4

The annexed notes 1 to 29 form an integral part of these financial statements.

For First Capital Investments Limited  
(Management Company)

Chief Executive

Director



**STATEMENT OF MOVEMENT IN  
UNIT HOLDERS' FUND**

***FOR THE PERIOD FROM JULY 30, 2013 TO JUNE 30, 2014***

**For the period  
from July 30,  
2013 to June  
30, 2014  
Rupees**

**Net assets at the beginning of the period**

-

Issue of 30,900,000 units against cancellation of 30,900,000 shares of First Capital Mutual Fund Limited upon conversion of First Capital Mutual Fund Limited into First Capital Mutual Fund (open-end fund) as per scheme of arrangement

**312,320,842**

Issue of nil units

-

Redemption of 5,911,345 units for the period July 30 to June 30, 2014

**(58,977,076)**

**253,343,766**

Issue of 1,506,054 bonus units against interim distribution as on February 14, 2014

**16,183,752**

Issue of 1,987,103 bonus units against interim distribution as on June 25, 2014

**21,551,326**

Element of income and capital gain included in prices of units issued less those in units redeemed - net

**(3,200,146)**

Capital gain on sale of investments

**18,351,679**

Unrealized appreciation on re-measurement of investments at fair value through profit or loss

**26,098,064**

Other net income for the period

**17,832,229**

Issue of 1,506,054 bonus units against interim distribution as on February 14, 2014

**(16,183,752)**

Issue of 1,987,103 bonus units against interim distribution as on June 25, 2014

**(21,551,326)**

**24,546,894**

**Net assets at the end of the period**

**312,425,592**

**Net asset value per unit at the beginning of the period - Rupees**

-

**Net asset value per unit at the end of the period - Rupees**

**10.97**

The annexed notes 1 to 29 form an integral part of these financial statements.

**For First Capital Investments Limited  
(Management Company)**

**Chief Executive**

**Director**

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*FOR THE PERIOD FROM JULY 30, 2013 TO JUNE 30, 2014*

### 1. Legal status and nature of business

First Capital Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of First Capital Mutual Fund Limited into an Open End Scheme under a Trust Deed executed between First Capital Investments Limited (FCIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 06, 2013 after being approved by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2013 in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulation, 2008 (NBFC Regulations).

The Management Company has been licensed by the SECP to act as an asset management company under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd and 3rd floor, Pace Mall, Fortress Stadium, Lahore, Pakistan.

The Fund has been formed to augment the wealth of investors through investments geared towards securing maximum returns whilst simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them. The Fund shall invest its net assets in high quality dividend yielding stocks. While the remaining assets shall be invested in cash and/or near cash instruments.

As per the Trust Deed, the Fund shall become operative from the "effective date" upon conversion of First Capital Mutual Fund Limited to an open end scheme. Therefore, these financial statements have been prepared from July 30, 2013 i.e the "effective date" of conversion.

As per the scheme of arrangement for conversion of investment company into an open end fund, at a swap ratio of 1:1, shareholder whose name was entered in the register of members of First Capital Mutual Fund Limited (FCMFL) on the effective date was issued one unit of open end fund for every fully paid-up share of the par value of Rs. 10 of First Capital Mutual Fund Limited in the electronic form, physical certificates of FCMFL stand automatically cancelled. Hence the initial issuance of 30,900,000 units of First Capital Mutual Fund was made at the net asset value received against each unit (i.e. Rs 10.11 per unit). Redemption of Initial Units before the expiry of twelve (12) months from the Effective Date of conversion shall be subject to a Back End Load of 20% as per the offering document.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as trustee of the Fund and the Fund is listed on Lahore Stock Exchange.

The units are transferable and can be redeemed by submitting them to the Fund. The management company of the Fund has been given a quality rating of AM4+ from 'PACRA.

### 2 Basis of measurement

#### 2.1 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations) and the directives issued by the Security and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.



This is the first set of financial statements of First Capital Mutual Fund (an open-end scheme) ("FCMF") after the conversion, so there is no corresponding figures to be presented.

## **2.2 Initial application of standards, amendments or an interpretation to existing standards**

The following amendments to existing standards have been published that are applicable to the Fund's financial statements covering annual periods, beginning on or after the following dates:

### **2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current year**

Certain standards, amendments and interpretations to approved accounting standards are effective in the current year but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

### **2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund**

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Fund's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

## **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements relate to classification and valuation of investments (notes 3.1 and 5)

## **2.4 Accounting convention**

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments Recognition and Measurement.'

## **2.5 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

## **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below:

### **3.1 Financial assets**

#### **3.1.1 Classification**

The Fund classifies its financial assets into the following categories: 'loans and receivables', 'at fair value through profit or loss', 'held to maturity' and 'available for sale'. The classification depends on the purpose

for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

**a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**b) At fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**c) Held to maturity**

These are securities acquired by the fund with the intention and ability to hold them up to maturity.

**d) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) financial assets at fair value through profit or loss or (c) held to maturity investments.

### **3.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Fund commits to purchase or sell the asset.

### **3.1.3 Initial recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

### **3.1.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

**a) Financial assets 'at fair value through profit or loss'**

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the 'income statement'.

#### **Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

#### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.



## b) Available for sale

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

## c) Loans and receivables

Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortized cost using the effective interest method.

Gain or loss is also recognized in the 'income statement' when financial assets carried at amortized cost are derecognized or impaired, and through the amortization process.

### 3.1.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the SECP.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognized in Other Comprehensive Income is removed from Statement of Comprehensive Income and recognized in the Income Statement. Impairment losses recognized in the Income Statement on equity instruments are not reversed through the Income Statement.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

### 3.1.6 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

### 3.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

## 3.2 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with maturities of three months or less.

## 3.3 Derivatives

Derivative instruments are initially recognized at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognized in the income statement.

### **3.4 Financial liabilities**

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

### **3.5 Provisions**

Provisions are recognized when the Fund has a present, legal or constructive obligation as a result of past events, 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. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### **3.6 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealized, to its unit holders every year.

### **3.7 Redemption of units**

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### **3.8 Element of income / (loss) and capital gains / (losses) included in prices of units redeemed**

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Upon redemption of units, the "element of income/ (loss) and capital gains/ (losses) in prices of units redeemed" account is debited /credited with the amount representing net income/ (loss) and capital gains/(losses) accounted for in the net asset value and included in the redemption price.

The net "element of income/ (loss) and capital gains/ (losses) in prices of units redeemed" during an accounting period is transferred to the income statement.



**3.9 Net asset value per unit**

The Net Asset Value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

**3.10 Dividend and bonus units**

Dividend declared (including distribution in the form of bonus units) is recognized in the period in which it is authorized or approved.

**3.11 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognized in the Income Statement on an accrual basis.

**3.12 Revenue recognition**

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Dividend income is recognized when the right to receive the dividend is established.

- Unrealized capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the year in which they arise.

- Income on government securities and bank deposits is recognized on an accrual basis.

	<i>NOTE</i>	<b>June 30, 2014 Rupees</b>
<b>4 Balances with bank</b>		
In savings accounts	4.1	<u><u>5,457,823</u></u>
<b>4.1</b> These carry profit at the rates ranging from 7% to 7.5% per annum during the period.		
<b>5 Investments at fair value through profit or loss</b>		
- Listed equity securities	5.1	<b>314,148,024</b>
- Market treasury bills	5.2	<u><u>9,935,909</u></u>
		<u><u>324,083,933</u></u>

## 5.1 Listed equity securities - at fair value through profit or loss

Name of the Investee Company	Number of shares					Balance as at June 30, 2014				Percentage in relation to		
	Transferred from First Capital Mutual Fund Limited	Purchases during the period	Bonus /right issue	Sales during the period	As at June 30, 2014	Carrying Value	Market Value	Appreciation/ (diminution)	Net assets of the Fund (with market value of investments)	Paid up capital of investee company (with face value of investments)	Market value of total investments of the Fund	%
<b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>												
<b>Oil and Gas</b>												
Attock Petroleum Limited	-	27,000	-	4,900	22,100	11,273,862	13,035,243	1,761,381	4.17	0.03	4.15	
Attock Refinery Limited	-	7,500	-	7,500	-	-	-	-	-	-	-	
Mari Petroleum Company Limited	-	9,000	-	5,000	4,000	1,560,490	1,493,720	(66,770)	0.48	-	0.48	
National Refinery Limited	7,500	-	-	2,500	5,000	1,341,450	1,076,850	(264,600)	0.34	0.01	0.34	
Oil and Gas Development Company Limited	-	44,900	-	-	44,900	11,697,288	11,731,472	34,184	3.75	-	3.73	
Pakistan State Oil Company Limited	42,400	65,100	4,290	79,190	32,600	10,918,464	12,676,510	1,758,046	4.06	0.01	4.04	
Pakistan Oilfields Limited	40,000	-	-	15,000	25,000	13,069,750	14,357,500	1,287,750	4.60	0.01	4.57	
Pakistan Petroleum Limited	90,000	36,800	20,000	81,000	65,800	14,147,527	14,761,572	614,045	4.72	-	4.70	
	179,900	190,300	24,290	195,090	199,400	64,008,831	69,132,867	5,124,036	22.12	0.06	22.01	
<b>Chemicals</b>												
Archroma Pakistan Limited	15,000	8,500	-	12,500	11,000	3,445,958	3,619,660	173,702	1.16	0.03	1.15	
Engro Corporation Limited	20,000	83,100	-	49,000	54,100	8,951,079	9,657,391	706,312	3.09	0.01	3.07	
Engro Fertilizer Limited	-	27,350	6,150	-	33,500	1,662,160	1,914,525	252,365	0.61	-	0.61	
Fatima Fertilizer Company Limited	50,000	-	-	-	50,000	1,288,500	1,450,000	161,500	0.46	-	0.46	
Fauji Fertilizer Bin Qasim Limited	30,000	5,000	-	-	35,000	1,471,540	1,391,950	(79,590)	0.45	-	0.44	
Fauji Fertilizer Company Limited	200,000	9,500	-	88,000	121,500	13,358,076	13,638,375	280,299	4.37	0.01	4.34	
ICI Pakistan Limited	10,088	13,100	-	18,400	4,788	1,712,898	1,868,948	156,050	0.60	0.01	0.59	
Lotte Chemical Pakistan Limited	50,000	-	-	-	50,000	384,000	359,500	(24,500)	0.12	-	0.11	
	375,088	146,550	6,150	167,900	359,888	32,274,212	33,900,349	1,626,138	10.86	0.06	10.77	
<b>Industrial Metals &amp; Mining</b>												
Aisha Steel Mills Limited - preference shares	9,500	-	-	-	9,500	76,475	66,880	(9,595)	0.02	0.01	0.02	
Crescent Steel and Allied Products Limited	-	15,000	1,500	-	16,500	997,495	717,915	(279,580)	0.23	0.03	0.23	
International Steels Limited	-	96,500	-	-	96,500	2,282,454	2,224,325	(58,129)	0.71	0.02	0.71	
	9,500	111,500	1,500	-	122,500	3,356,424	3,009,120	(347,304)	0.96	0.06	0.96	
<b>Construction and Materials</b>												
Akzo Nobel Pakistan Ltd	29,346	-	-	19,000	10,346	683,146	1,748,060	1,064,914	0.56	0.02	0.56	
Attock Cement Pakistan Limited	25,000	-	3,750	7,500	21,250	3,306,500	3,351,125	44,625	1.07	0.02	1.07	
D.G.Khan Cement Company Limited	49,900	38,500	-	7,500	80,900	7,083,009	7,115,964	62,955	2.28	0.02	2.27	
Fauji Cement Company Limited	200,000	124,500	-	27,500	297,000	4,884,716	5,714,280	829,565	1.83	0.02	1.82	
Fecto Cement Limited	-	10,000	-	1,000	9,000	486,711	450,000	(36,711)	0.14	0.02	0.14	
Kohat Cement Limited	75,000	8,500	15,000	31,000	67,500	7,112,607	8,627,850	1,515,243	2.76	0.04	2.75	
Lafarge Pakistan Cement Limited	200,000	85,000	-	118,500	166,500	1,818,999	2,660,670	841,671	0.85	0.01	0.85	
Lucky Cement Company Limited	20,000	7,400	-	12,900	14,500	4,095,214	5,949,350	1,854,137	1.90	-	1.89	
Maple Leaf Cement Factory Limited	41,000	-	-	4,000	37,000	1,147,370	1,111,850	(35,520)	0.36	0.01	0.35	
	640,246	273,900	18,750	228,900	703,996	30,588,272	36,729,149	6,140,879	11.75	0.16	11.70	

Name of the Investee Company	Number of shares				Balance as at June 30, 2014				Percentage in relation to		
	Transferred from First Capital Mutual Fund Limited	Purchases during the period	Bonus /right issue	Sales during the period	As at June 30, 2014	Carrying Value	Market Value	Appreciation/ (diminution)	Net assets of the Fund (with market value of investments)	Paid up capital of investee company (with face value of investments)	Market value of total investments of the Fund
							Rupees				%
<b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>											
<b>Pharmaceutical and Biotech</b>											
Abbott Laboratories Pakistan Limited	5,000	-	2,000	-	3,000	1,227,000	1,716,960	489,960	0.55	-	0.55
GlaxoSmithKline Pakistan Limited	17,200	1,500	15,500	-	13,200	1,778,842	2,191,596	412,754	0.70	0.03	0.70
Hightoon Laboratories Limited	5,000	-	-	-	5,000	750,000	847,300	97,300	0.27	0.02	0.27
The Searle Company Limited	19,200	-	5,700	-	13,500	2,055,744	2,356,290	300,546	0.75	-	0.75
	10,000	46,400	1,500	23,200	34,700	5,811,586	7,112,146	1,300,560	2.27	0.05	2.27
<b>Industrial Engineering</b>											
Al-Ghazi Tractors Limited (Ordinary Shares of Rs 5 each)	5,400	-	1,890	-	7,290	1,103,382	1,920,915	817,533	0.61	0.01	0.61
Millat Tractors Limited	20,060	-	2,006	12,000	10,066	4,798,279	5,024,243	225,963	1.61	0.02	1.60
	25,460	-	3,896	12,000	17,356	5,901,661	6,945,158	1,043,496	2.22	0.03	2.21
<b>Automobile and Parts</b>											
Honda/Alfas Cars (Pakistan) Limited	-	73,000	-	22,500	50,500	2,784,749	4,701,045	1,916,296	1.50	0.04	1.50
Indus Motor Company Limited	20,000	6,100	-	13,100	13,000	4,884,037	6,992,960	2,108,923	2.24	0.02	2.23
Pak Suzuki Motor Company Limited	5,500	17,000	-	-	22,500	4,303,589	6,162,525	1,858,936	1.97	0.03	1.96
	25,500	96,100	-	35,600	86,000	11,972,375	17,856,530	5,884,155	5.71	0.09	5.69
<b>Food Producers</b>											
Engro Foods Limited	25,000	-	-	-	25,000	3,678,250	2,563,250	(1,115,000)	0.82	-	0.82
	25,000	-	-	-	25,000	3,678,250	2,563,250	(1,115,000)	0.82	-	0.82
<b>Personal Goods</b>											
Gadbon Textiles Mills Ltd	4,500	17,700	-	-	22,290	4,409,220	5,571,386	1,162,165	1.78	0.10	1.77
Ibrahim Fibre Limited	500	-	500	-	-	-	-	-	-	-	-
Nishat Chunian Limited	100,000	10,000	10,000	20,000	100,000	5,837,493	4,239,000	(1,598,493)	1.36	0.05	1.35
Nishat Mills Limited	-	82,800	-	2,500	80,300	8,414,370	8,987,176	572,806	2.88	0.02	2.86
	105,090	110,500	10,000	23,000	202,590	18,661,083	18,797,562	136,478	6.02	0.17	5.98
<b>General Industries</b>											
Packages Limited	-	14,300	-	-	14,300	4,999,084	7,172,451	2,173,367	2.30	0.02	2.28
	-	14,300	-	-	14,300	4,999,084	7,172,451	2,173,367	2.30	0.02	2.28
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company Limited	514,000	178,000	-	329,000	363,000	10,200,930	9,245,610	(955,320)	2.96	0.96	2.94
	514,000	178,000	-	329,000	363,000	10,200,930	9,245,610	(955,320)	2.96	0.96	2.94
<b>Electricity</b>											
Kot Addu Power Company Limited	100,000	-	-	-	100,000	5,966,000	5,904,000	(62,000)	1.89	0.01	1.88
Nishat Chunian Power Limited	100,002	-	-	-	100,002	3,563,071	3,794,076	231,005	1.21	0.03	1.21
Nishat Power Limited	100,000	-	-	-	100,000	3,450,000	3,558,000	108,000	1.14	0.03	1.13
Pak Gen Power Limited	200,000	-	-	-	200,000	4,926,000	3,608,000	(1,318,000)	1.15	0.05	1.15
Hub Power Company Limited	260,500	35,500	-	55,000	241,000	16,228,229	14,156,340	(2,071,889)	4.53	0.02	4.51
	760,502	35,500	-	55,000	741,002	34,133,300	31,020,416	(3,112,884)	9.92	0.14	9.88

Name of the Investee Company	Number of shares				Balance as at June 30, 2014				Percentage in relation to			
	Transferred from First Capital Mutual Fund Limited	Purchases during the period	Bonus /right issue	Sales during the period	As at June 30, 2014	Carrying Value	Market Value	Appreciation/ (diminution)	Net assets of the Fund (with market value of investments)	Paid up capital of investee company (with face value of investments)	Market value of total investments of the Fund	%
<b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>												
<b>Commercial Banks</b>												
Allied Bank Limited	99,450	18,500	8,945	68,000	58,895	4,550,257	8,092,762	3,542,505	2,59	0.01	2.58	
Askari Bank Limited	26,270	-	-	16,270	10,000	149,300	190,100	40,800	0.06	-	0.06	
Bank Al-Habib Limited	102,000	6,000	5,800	50,000	63,800	1,898,880	2,869,724	970,844	0.92	0.01	0.91	
Bank Alfalah Limited	475,000	32,500	-	290,000	217,500	4,849,596	5,981,250	1,131,655	1.91	0.02	1.90	
Faysal Bank Limited	59,999	127,502	12,499	-	200,000	2,306,241	3,230,000	923,759	1.03	0.02	1.03	
Habib Bank Limited	25,000	45,100	5,000	23,000	52,100	7,938,285	10,096,459	2,158,174	3.23	-	3.21	
Habib Metropolitan Bank Limited	-	43,000	-	-	43,000	1,001,900	1,384,170	382,270	0.44	-	0.44	
MCB Bank Limited	-	37,800	1,000	11,000	27,800	7,243,969	8,377,530	1,133,561	2.68	-	2.67	
National Bank of Pakistan	345,250	-	-	305,000	40,250	2,222,203	2,504,758	282,555	0.80	-	0.80	
Standard Chartered Bank	-	46,000	-	-	46,000	964,400	1,115,500	151,100	0.36	-	0.36	
Bank of Punjab Limited	99,859	-	47,321	-	147,180	1,811,268	1,339,338	(471,930)	0.43	0.01	0.43	
United Bank Limited	50,400	12,000	-	32,400	30,000	3,745,214	5,056,800	1,311,586	1.62	-	1.61	
	1,283,228	368,402	80,565	795,670	936,525	38,681,512	50,238,391	11,556,879	16.07	0.07	16.00	
<b>Non-Life Insurance</b>												
Adamjee Insurance Company Limited	-	42,000	42,074	32,500	51,574	1,647,856	2,360,542	712,686	0.76	0.01	0.75	
Habib Insurance Company Limited	-	30,000	7,500	-	37,500	506,455	579,375	72,920	0.19	0.03	0.18	
Shahen Insurance Company Limited	2,005,818	258,500	-	186,500	2,077,818	15,061,884	12,674,690	(2,387,194)	4.06	4.62	4.03	
	2,005,818	330,500	49,574	219,000	2,166,892	17,216,195	15,614,607	(1,601,588)	5.01	4.66	4.96	
<b>Software &amp; Computer Services</b>												
Netsol Technologies Limited	-	10,000	-	-	10,000	419,695	292,200	(127,495)	0.09	0.01	0.09	
	-	10,000	-	-	10,000	419,695	292,200	(127,495)	0.09	0.01	0.09	
<b>Financial Services</b>												
First Capital Equities Limited - a related party	128,395	-	-	-	128,395	6,143,701	4,518,220	(1,625,481)	1.45	0.12	1.44	
	128,395	-	-	-	128,395	6,143,701	4,518,220	(1,625,481)	1.45	0.12	1.44	
<b>Total - June 30, 2014</b>	<b>6,087,727</b>	<b>1,911,952</b>	<b>196,225</b>	<b>2,084,360</b>	<b>6,111,544</b>	<b>288,047,113</b>	<b>314,148,024</b>	<b>26,100,911</b>				



5.2 Market treasury bills

Date of Issue	Term	Face value	Amortized cost		Cost/ Amortized cost		Market Value	Appreciation / (diminution)		Percentage in relation to	
			Transferred from First Capital Mutual Fund Limited	Purchases during the period	Matured/Sales during the period	As at June 30, 2014		As at June 30, 2014	As at June 30, 2014	Market Value as percentage of net assets	Market Value as percentage of total investments
Rupees											
16-May-13	3 Months	18,000,000	17,826,855	-	17,826,855	-	-	-	-	-	-
30-May-13	3 Months	14,625,000	14,434,477	-	14,434,477	-	-	-	-	-	-
22-Aug-13	3 Months	14,625,000	-	14,329,575	14,329,575	-	-	-	-	-	-
2-May-14	3 Months	10,000,000	-	9,779,000	9,938,756	9,935,909	(2,847)	3.17	3.07	9.9383	
<b>Total - June 30, 2014</b>		<b>57,250,000</b>	<b>32,261,332</b>	<b>24,108,575</b>	<b>46,590,907</b>	<b>9,938,756</b>	<b>(2,847)</b>	<b>3.17</b>	<b>3.07</b>		



	<i>NOTE</i>	<b>June 30, 2014 Rupees</b>
<b>6 Dividend and Profit receivable</b>		
Dividend receivable		506,528
Bank profit receivable		61,397
		<u>567,925</u>
<b>7 Advances, deposits and other receivable</b>		
Advance tax		173,073
Deposit with Central Depository Company of Pakistan Limited		237,500
Other receivable		211,363
		<u>621,936</u>
<b>8 Payable to First Capital Investments Limited (FCIL) - Management Company</b>		
Remuneration of Management Company	8.1	2,308,596
Punjab Sales Tax on Management Company's remuneration	8.2	369,375
Provision for Federal Excise Duty	8.3	1,287,698
		<u>3,965,669</u>
<b>8.1</b>		
Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company 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 remuneration of the management company has been charged at the rate of three percent per annum for the period July 30, 2013 to June 30, 2014.		
<b>8.2</b>		
The Provincial Government of Punjab levied Punjab Sales Tax at the rate of 16% on the remuneration of the management company through the Punjab Sales Tax on Services Act, 2012 effective from July 1, 2012.		
<b>8.3</b>		
The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013.		
On September 4, 2013, a Constitutional Petition has been filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. In this respect the Honourable SHC has issued a stay order against recovery proceedings. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of the FED may result in double taxation, which does not appear to be the spirit of the law. As a matter of abundant caution, the Management Company has made a provision aggregating to Rs 1.287 million.		
	<i>NOTE</i>	<b>June 30, 2014 Rupees</b>
<b>9 Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Trustee fee	9.1	57,535
		<u>57,535</u>

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Assets Value (NAV) of the Fund. The fee is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2014 is as follows:

<b>Net Assets Value</b>	<b>Tariff per annum</b>
Upto Rs 1,000 million	Rs 0.7 million or 0.20% per annum of net assets of the Fund, whichever is higher
Exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% per annum of net assets of the Fund, on amount exceeding Rs 1,000 million

	<i>NOTE</i>	<b>June 30, 2014 Rupees</b>
<b>10 Payable to Securities and Exchange Commission of Pakistan (SECP)</b>		
Annual fee	10.1	<b>279,699</b>

**10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorized as an equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the Fund. The Fund has been categorized as an equity scheme by the Management Company.

## **11 Provision for Workers' Welfare Fund**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

Further, a Constitutional Petition was filed with the Honourable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass-through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honourable Court in this matter have concluded and the Honourable Court has reserved its decision.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or



legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance, 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 7.385 million (including Rs 1.297 million for the current year).

	<b>June 30, 2014 Rupees</b>
<b>12 Accrued expenses and other liabilities</b>	
Auditors' remuneration	527,179
Listing fees payable	55,000
Transaction costs payable	17,826
	<u>600,005</u>

**13 Contingencies and commitments**

There were no contingencies and commitments as at June 30, 2014.

	<b>June 30, 2014 Number of units</b>
<b>14 Number of units in issue</b>	
Total units in issue at the beginning of the period	30,900,000
Add: Bonus units issued	3,493,157
Less: Units redeemed	<u>(5,911,345)</u>
Total units in issue at the end of the period	<u>28,481,812</u>

**14.1 Details of pattern of unit holding**

Details of pattern of unit holding as at June 30, 2014 is as follows:

<b>Category</b>	<b>Number of unit holders</b>	<b>Units held</b>	<b>Investment amount Rupees</b>	<b>Percentage</b>
Individuals	1,935	10,693,850	117,304,066	37.55%
Associated companies / directors	5	11,223,465	123,113,581	39.41%
Retirement funds	2	15,893	174,335	0.06%
Public limited companies	6	1,154,857	12,667,975	4.05%
others	23	5,393,747	59,165,639	18.94%
<b>Total</b>	<u>1,971</u>	<u>28,481,812</u>	<u>312,425,592</u>	<u>100.0%</u>



For the period  
from July 30,  
2013 to June  
30, 2014  
Rupees

**15 Back end load and other income**

Processing charges	347,593
Backend load income	11,711,202
Other income	2,088
	<u>12,060,883</u>

**16 Auditors' remuneration**

Annual Audit fee	500,000
Half yearly review fee	300,000
Reporting on compliance with the code of corporate governance	50,000
Out of pocket expenses	11,995
	<u>861,995</u>

**17 Taxation**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realized or unrealized) to its unit holders.

**18 Earnings per unit**

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average number of outstanding units for calculating EPU is not practicable.

**19 Net assets transferred from First Capital Mutual Fund Limited**

The entire First Capital Mutual Fund Limited undertaking as on the effective date (July 30, 2013) has been transferred to First Capital Mutual Fund (an open-end scheme) by virtue of Article IV of the Scheme of Arrangement for conversion of the Fund into an open-end scheme duly sanctioned by the SECP via letter no. SCD/AMCW/FCMF/516/2013 dated May 03, 2013. Legal title of all the assets and liabilities were transferred to First Capital Mutual Fund on the effective date.



July 30,  
2013  
Rupees

Detail of all assets and liabilities transferred on the effective date are as follows:

**First Capital Mutual Fund**

**Assets**

Bank balances	52,601,952
Investments at fair value through profit or loss	314,960,622
Dividend, prepayments and other receivables	420,171
Long-term deposit	137,500

<b>Total assets</b>	<b>368,120,245</b>
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**Liabilities**

Due to management company - an associated company	606,014
Accrued expenses and other liabilities	11,940,212
Unclaimed dividend	43,253,177

<b>Total liabilities</b>	<b>55,799,403</b>
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<b>Net assets</b>	<b>312,320,842</b>
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**Represented by:**

30,900,000 ordinary shares of Rs 10 each	309,000,000
Undistributed income	3,320,842

<b>Net assets value per share transferred to FCMF as on the effective date</b>	<b>10.11</b>
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**20. Transactions with connected persons**

Connected persons include First Capital Investments Limited (FCIL) being the management company, Central Depository Company of Pakistan Limited (CDC) being the trustee of the Fund, First Capital Equities Limited (FCEL), Sulaiman Ahmed Saeed Al-Hoqani and Al - Hoqani Securities & Investment Corporation (Private) Limited.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Details of transactions and balances with connected persons are as follows:

	<b>For the period from July 30, 2013 to June 30, 2014 Rupees</b>
<b>20.1 Transactions during the period</b>	
<b>First Capital Investments Limited - management company</b>	
Remuneration for the period	10,624,514
1,372,301 bonus units issued	14,824,519
<b>First Capital Equities Limited</b>	
Brokerage on purchase of investments	13,891
Brokerage on sale of investments	12,034
Redemption of 984,474 units	10,227,110
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration for the period	644,384
Settlement charges	150,246
<b>Al - Hoqani Securities &amp; Investment Corporation (Private) Limited</b>	
Redemption of 1,500,000 units	14,514,300
652,860 bonus units issued	7,052,635
<b>Sulaiman Ahmed Saeed Al-Hoqani</b>	
356,001 bonus units issued	3,845,764

June 30,  
2014  
Rupees

**20.2 Balances outstanding at the period end**

**First Capital Investments Limited - management company**

Remuneration payable	3,965,669
Receivables	211,363
Units issued : 11,209,582 units	122,961,285

**Al-Hoqani Securities & Investment Corporation (Pvt.) Limited**

Units issued : 5,332,860 units	58,497,751
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**Sulaiman Ahmed Saeed Al-Hoqani**

Units issued : 2,907,980 units	31,898,511
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**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee payable	57,535
Long term deposit	237,500

**21 Financial instruments by category**

	-----As at June 30, 2014-----			
	Loans and receivables	Available for sale	At fair value through profit or loss	At amortized cost
	-----Rupees-----			
<b>Financial assets</b>				
Balance with banks	5,457,823	-	-	5,457,823
Investments	-		324,083,933	324,083,933
Dividend and profit receivable	567,925	-	-	567,925
Advances, deposit and other receivables	621,936	-	-	621,936
	6,647,684	-	324,083,933	330,731,617





-----As at June 30, 2014-----		
At fair value through profit or loss	At a mortized cost	Total
-----Rupees-----		
<b>Financial liabilities</b>		
Payable to First Capital Investments Limited (FCIL) - Management Company	-	2,308,596
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	-	57,535
Accrued expenses and other liabilities	-	600,005
	-	2,966,136

**22 Particulars of the Investment Committee and Fund Manager**

Details of members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Shahzad Jawahar	Chief Executive Officer	ACIS	18 Years
2	Syed Asad Abbas Zaidi	Chief Financial Officer	MBA	9 Years
3	Syed Ghazanfar Ali Bukhari	Chief Investment Officer / Fund Manager	MA Economics	14 Years

**22.1** No other fund is being managed by Mr Syed Ghazanfar Ali Bukhari.

**June 30,  
2014**

**23 Top ten brokerage commission by percentage**

**Broker's Name**

First Capital Equities Limited	9.51%
BMA Capital Management Limited	9.18%
Next Capital Limited	9.14%
Arif Habib Limited	9.11%
Invest & Finance Securities Limited	9.09%
Topline Securities (Pvt.) Limited	9.04%
Ismail Iqbal Securities (Pvt.) Limited	9.03%
Pearl Securities Limited	9.01%
Aqeel Karim Dhedhi Securities Limited	9.00%
Elixir Securities Pakistan (Pvt.) Limited	9.00%

**24 Attendance at meetings of Board of Directors of Management Company**

The Board meetings were held on October 08, 2013, October 30, 2013, February 14, 2014, April 25, 2014 and June 26, 2014. Information in respect of attendance by the directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mrs Aamna Taseer	5	5	-	-
Mr Shahzad Jawahar	5	5	-	-
Mr Syed Nadeem Hussain	5	5	-	-
Mr Awais Akbar*	1	1	-	-
Mr Jawad Saleem**	2	1	1	2nd
Mr Syed Ghazanfar Ali Bukhari***	1	1	-	-

\* Appointed in the BOD meeting held on April 25, 2014

\*\* Mr Jawad Saleem resigned on November 14, 2013

\*\*\* Appointed on November 14, 2013 and resigned in the BOD meeting held on April 25, 2014

**25 Financial risk management**

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk,

**25.1 Credit risk**

Credit risk represents the risk of a loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Credit risk arises from deposits with banks, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments, advances, deposits and other receivables and accrued income on bank deposits. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarizes the credit rating quality of the Fund's bank balances as at June 30, 2014:

**Bank balances by rating category**

Name of the Bank	Percentage of bank balance	Rating agency	Published rating
NIB Bank Limited	99.82%	PACRA	AA-
Habib Metropolitan Bank Limited	0.18%	PACRA	AA+
	100%		

**25.1.1 Concentration of credit risk**

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**25.2 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realizable, as they are listed on the Stock Exchanges.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption requests during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the period end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows as on June 30, 2014 :

	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	<b>Total</b>
	<b>Rupees</b>			
Payable to First Capital Investments Limited (FCIL) - Management Company	2,308,596	-	-	2,308,596
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	57,535	-	-	57,535
Accrued expenses and other liabilities	600,005	-	-	600,005
	<u>2,966,136</u>	<u>-</u>	<u>-</u>	<u>2,966,136</u>

**25.3 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

**25.3.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

### 25.3.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date, the interest rate profile of the Fund's significant interest bearing financial instruments was as follows:

	2014	
	% Effective interest rate	Rupees Carrying amount
<b>Financial assets</b>		
Fixed rate instruments		
- Bank balances	7.00% to 7.50%	5,457,823
- Market treasury bills	9.94%	9,935,909

### 25.3.3 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets of the Fund, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in the KSE 100 index on June 30, 2014, net income for the year would increase / decrease by Rs 15,707,401 and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased/ decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in KSE 100 Index having regard to historical volatility of the index. The composition of the Fund's investment portfolio and the correlation, thereof, to the KSE 100 Index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

## 26 Unit holder's fund risk management

The Fund's capital is represented by the net assets attributable to unit holders / redeemable units. The unit holders of the fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holder's fund.

The Fund has no restrictions or specific funding requirements on the subscription and redemption of units.

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests. Such liquidity being augmented by disposal of investments where necessary.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the year.

**27 Fair value of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 7, "Financial Instruments: Disclosures" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices) (level 2);
- Inputs for the assets or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments of the Fund carried at fair value are categorized as follows as at June 30, 2014:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>At fair value through profit or loss</b>				
- Listed equity securities	314,148,024	-	-	314,148,024
- Market treasury bills	9,935,909	-	-	9,935,909
<b>Total</b>	324,083,933	-	-	324,083,933

**28. Date of authorization for issue**

These financial statements were authorized for issue on September 19, 2014 by the Board of Directors of the Management Company.

**29. General**

Figures have been rounded off to the nearest rupee.

**For First Capital Investments Limited  
(Management Company)**

**Chief Executive**

**Director**



**PERFORMANCE TABLE**

	<b>2014</b>
Net assets as at June 30, 2014	312,425,592
Net asset value per unit as at June 30, 2014	10.9693
Offer price per unit	-
Repurchase Price per Unit	
<i>Class B</i>	8.7754
<i>Class D</i>	10.9693
Highest redemption price per unit (Rs.)	12.0222
Lowest redemption price per unit (Rs.)	9.1101
First Interim dividend distribution per unit-bonus units	0.075
Second Interim dividend distribution per unit-bonus units	0.06
Final dividend distribution per unit	-
Distribution Date - First Interim Dividend	14-Feb-14
Distribution Date - Second Interim Dividend	25-Jun-14
Distribution (%)	12.64%
Capital growth (%)	8.53%
Total return (%)	21.16%

**Disclaimer**

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

**First Capital Mutual Fund  
Pattern of Unit Holding  
as at June 30, 2014**

From	To	No. of Investors	No. of Units
Less Than 1		1	0.8600
1	1000	1761	249,689.7340
1001	5000	121	242,811.4970
5001	10000	29	189,296.0190
10001	50000	39	853,282.6690
50001	100000	3	180,747.4900
100001	500000	10	2,099,069.5315
500001	1000000	1	663,718.8675
1000001	5000000	4	7,460,753.1840
5000000	10000000	1	5,332,860.0000
10000001	100000000	1	11,209,582.3995
<b>TOTAL</b>		<b>1,971</b>	<b>28,481,812.2515</b>

Category	Number of unit holders	Units held	Investment amount rupees	Percentage
Individual	1935	10,693,850	117,304,066	37.55%
Associated Company/Director	5	11,223,465	123,113,581	39.41%
Retirement Fund	2	15,893	174,331	<b>0.06%</b>
Public Limited Company	6	1,154,857	12,667,976	<b>4.05%</b>
Others	23	5,393,747	59,165,639	18.94%
Total	1971	28,481,812	312,425,592	<b>100.00%</b>

**PATTERN OF UNIT HOLDING  
AS PER LISTING REGULATIONS AS AT 30 JUNE 2014**

Categories of Unitholders	No. Unit holders	Number of Units Held
<b>Associated Companies, undertakings and related parties</b>		
FIRST CAPITAL EQUITIES LIMITED	1	12,123.1405
Ms. FIRST CAPITAL INVESTMENTS LTD.	1	11,209,582.3995
<b>Mutual Funds</b>		
		-
<b>Directors and their spouse(s) and minor children</b>		
SHAHZAD JAWAHAR	1	586.8425
AAMNA TASEER	1	586.8425
NADEEM HUSSAIN	1	586.8425
<b>Executives</b>		
		-
<b>Public Sector Companies and Corporations</b>		
	2	210.8075
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>		
	7	52,151.4965
<b>Foreign Investor</b>		
	1	1,013,568.1575
<b>Others</b>		
	21	5,498,566.0900
<b>General Public Local</b>		
	1935	10,693,849.6325
<b>TOTAL</b>	<b>1971</b>	<b>28,481,812.2515</b>

Unit holders holding 5% or more	No. Unit holders	No. of Units
Ms. FIRST CAPITAL INVESTMENTS LTD.	1	11,209,582.3995
Ms. AL-HOQANI SECURITIES & INVESTMENT CORPORATION (PVT) LTD.	1	5,332,860.0000
SULAIMAN AHMED SAEED AL-HOQANI	1	2,907,980.0705
SALMAN TASEER (LHR)	1	2,095,027.7250
Mr. MAHBOOB AHMED	1	1,724,229.8670