

## **FIRST CAPITAL MUTUAL FUND LIMITED**

(Annual Report 1995-96)

### **COMPANY INFORMATION**

#### **Board of Directors**

Mr. Salmaan Taseer, Chairman & CEO  
Mr. Khurshid Hadi  
Mr. Mian Jahangir Elahi  
Mr. Abdul Waheed Alavi  
Mr. Bashir A. Sheikh  
Mr. Humayun Nabi Jan  
Mr. Zahid Zia

#### **Company Secretary**

Mr. Zahid Zia

#### **Investment Committee**

Mr. Salmaan Taseer, Chief Executive  
Dr. Amjad Waheed, Chief Operating Officer

#### **Auditors**

Taseer Hadi Khalid & Company  
Chartered Accountants  
Lahore.

#### **Registered Office**

103- C/II, Gulberg III, Lahore.

#### **Custodian**

Crescent Investment Bank Ltd.  
45-Shahrah-e-Quaid-e-Azam, Lahore.

#### **Legal Advisors**

M/s Chima & Ibrahim  
Advocates  
Lahore.

#### **Investment Advisers**

First Capital Investments (Pvt) Limited  
103-C/II, Gulberg-III, Lahore.

#### **Shares Department**

First Capital Mutual Fund Ltd.  
Ground Floor,  
Sh. Sultan Trust Building No. 2  
Beaumont Road, Karachi.

### **NOTICE OF MEETING**

Notice is hereby given that 2nd Annual General Meeting of the shareholders of the company will be held on Sunday, January 12, 1997 at 10:00 a.m. at 103-C/II, Gulberg-III, Lahore to transact the following business:-

1. To confirm the minutes of the First Annual General Meeting of the Members.
2. To receive, consider and adopt the annual audited accounts, of the company together with the auditors' and chairman's report for the year ended June 30, 1996.
3. To appoint Auditors for the year ending June 30, 1997 and to fix their remuneration. The present auditors M/s Taseer Hadi Khalid & Company, Chartered Accountants,

being eligible for appointment, offer themselves for re-appointment.

4. To transact any other business with the permission of the chair.

By the order of the Board  
Zahid Zia  
Company Secretary

Lahore, December 19, 1996

Notes:

1. The Share Transfer Books of the Company will remain closed from 12-01-1997 to 19 -01-1997 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received by the Company at least 48 hours before the meeting.
3. Members are requested to notify any change in address immediately.

#### CHAIRMAN'S REVIEW

I am pleased to present the audited accounts of your company for the year ended June 30, 1996.

Portfolio positions were predominantly built in July and August 1995 when the News-MCB all share composite index was at the 800 levels. Mainly due to poor economic situation of the country the News-MCB index declined to 550 by June 30, 1996, a drop of over 31%. The Fund portfolio during the same time period dropped 23% from Rs. 145.3 million to 112.2 million- an 8% better performance relative to the market.

The largest investment of the Fund are in the power sector (Rs. 44.5 m) and chemical/fertilizer sector (Rs. 17.5 m). We believe that these two sectors will outperform the market in due course. The market is expected to improve following elections and build-up of foreign exchange reserves position of the country in February. The fund is bound to benefit from this expected improvement.

The net asset value of your share as of June 30, 1996 is about Rs.7 which is at a significant premium to the market price of Rs. 3.75 per share. The market price should move closer to the net asset value as our stock market matures. We feel that the stock market package and the two textile packages recently announced by the government will have a positive impact on the stock market in the medium term.

For and on behalf of the  
Board of Directors

SALMAAN TASEER  
Chairman & Chief Executive

KPMG

Taseer Hadi Khalid & Co.  
Chartered Accountants

65/3, F.C.C.	Telephone: (042) 5710084, 5753485
Syed Maratib Ali Road	5754846
Gulberg - IV	Fax (042) 5710085
Lahore - Pakistan	Telex 21515 THK PK Cable Advisors

#### AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed balance sheet of FIRST CAPITAL MUTUAL FUND LIMITED as at June 30, 1996 and the related income and expenditure account and statement of changes in financial position together with the notes to the accounts for the

year then ended. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances and we state that we have obtained all the information which to the best of our knowledge and belief were necessary for the purpose of our audit and we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Advisor's Rules, 1971.

b) in our opinion:

i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the period was for the purposes of the Company's business;

iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the investment policy of the Company and Investment companies and Investment Adviser's Rules, 1971;

iv) the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Adviser's Rules, 1971; and

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the income and expenditure account, and the statement of changes in financial position together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971 in the manner so required and respectively give a true and fair view Of the state of the Company's affairs as at June 30, 1996 and of the loss and changes in the financial position for the year then ended;

Without qualifying our opinion, we state that presently, we are uncertain about the applicability and scope of the application of section 80D(i) of the Income Tax Ordinance, 1979 to mutual funds. Thus, we are not in a position to determine the liability arising therefrom.

d) in our opinion, no, zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Sd/-  
TASEER HADI KHALID & CO.  
Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 1996**

	NOTE	1996 (RUPEES)	1995 (RUPEES)
DEFERRED EXPENDITURE	3	6,517,296	7,545,608
<hr/>			
CURRENT ASSETS			
Marketable securities - (cost Rs. 145,341,488 )	4	112,185,106	55,936,500
Accounts receivables against trading of shares	5	1,093,117	0
Advances, deposits, prepayments and other receivables	6	222,653	30,410
Cash and Bank Balances	7	5,816,383	87,816,204

119,317,259 143,783,114

## CURRENT LIABILITIES

Current Maturity of deferred expenditure payable		1,659,377	1,509,122
Due to First Capital Investments (Private) Limited	8	1,103,511	82,449
Creditors and other liabilities	9	13,854,755	10,014,718
Provision for taxation		54,923	2,967
		16,672,566	11,609,256

WORKING CAPITAL		102,644,693	132,173,858
DEFERRED EXPENSES PAYABLE	10	(4,978,121)	(6,036,486)

CAPITAL EMPLOYED		104,183,868	133,682,980
		=====	=====

REPRESENTED BY:

## SHARE CAPITAL

Authorised:

20,000,000 Ordinary Shares of Rs. 10/- each		200,000,000	200,000,000
		=====	=====

Issued, subscribed and paid up:

15,000,000 Ordinary Shares of Rs. 10/- each fully paid-up in cash		150,000,000	150,000,000
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ACCUMULATED LOSS		(45,816,132)	(16,317,020)
CONTINGENCIES & COMMITMENTS	11	0	0

		104,183,868	133,682,980
		=====	=====

The annexed notes form an integral part of these accounts

AUDITORS' REPORT TO THE MEMBERS IS ANNEXED

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1996**

	NOTE	1996 (RUPEES)	1995 (RUPEES)
<b>INCOME</b>			
Dividend		1,039,123	17,875
(Loss)/Gain on sale of marketable securities		(10,584,031)	414,736
Markup income		2,281,804	733,378
Other income		23,000	0
		-----	-----
		(7,240,104)	1,165,989

## EXPENSES

Remuneration to Investment Advisor	12	2,126,201	0
Custodian Charges		1,100,769	126,543
Auditors' remuneration			
Audit fee		50,000	75,000
Out of pocket expenses		2,000	3,500
		52,000	78,500
Interest on deferred expenditure		701,816	83,449
Amortization of deferred expense		1,629,323	0
Zakat		48,100	125
Legal & professional charges		74,060	0
Bank charges		127,787	367,116

Miscellaneous	14,923	0
	5,874,979	655,733
	-----	-----
	(13,115,083)	510,256
Provision for diminution in value of marketable securities	(16,332,073)	( 16,824,309)
	-----	-----
NET LOSS BEFORE TAXATION	(29,447,156)	(16,314,053)
Provision for taxation	-51,956	(2,967)
	-----	-----
Loss brought forward	(29,499,112)	(16,317,020)
	(16,317,020)	0
	-----	-----
LOSS AFTER TAXATION CARRIED FORWARD	(45,816,132)	(16,317,020)
	=====	=====
The annexed notes form an integral part of these accounts		
AUDITORS' REPORT TO THE MEMBERS IS ANNEXED		

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 1996**

	1996	1995
	(RUPEES)	(RUPEES)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss after taxation	(29,499,112)	(16,317,020)
ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH		
Amortization of deferred cost	1,629,323	0
Provision for diminution in value of shares	16,332,073	16,824,309
Provision for taxation	51,956	2,967
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES BEFORE ADJUSTMENTS OF WORKING CAPITAL	18,013,352	16,827,276
	(11,485,760)	510,256
WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Marketable securities	(72,580,679)I	(72,760,809
Advances, deposits, prepayments and other receivables	(192,243)]	(30,410)
Accounts receivable	-1,093,117	0
	-----	-----
	(73,866,039)	(72,791,219)
	-----	-----
	(85,351,799)	(72,280,963)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Due to First Capital Investments (Private) Limited	1,171,317	1,591,571
Creditors and other liabilities	3,840,038	10,014,718
	-----	-----
	5,011,355	11,606,289
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(80,340,444)	(60,674,674)
CASH FLOWS FROM FINANCING ACTIVITIES		

Issuance of share capital	0	150,000,000
Deferred cost payable to Fell	(1,058,365)	6,036,486
	-----	-----
	(1,058,365)	156,036,486
	-----	-----
NET CASH (OUT)/IN FLOW FROM FINANCING ACTIVITIES	(81,398,809)	95,361,812
CASH FLOW FROM INVESTING ACTIVITIES		
Deferred cost	601,012	7,545,608
	-----	-----
NET CASH INFLOW FROM INVESTING ACTIVITIES	601,012	7,545,608
	-----	-----
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(81,999,821)	87,816,204
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	87,816,204	0
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,816,383	87,816,204
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**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1996**

**1. STATUS AND NATURE OF BUSINESS**

1.1 The Company was incorporated on January 8, 1995 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on March 14, 1995. It has been registered as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971. The Company is listed on Karachi and Lahore Stock Exchanges. The object of the company is to carry on the business of a close-end mutual fund and to invest its assets in securities which are listed or proposed to be listed on the stock Exchanges.

1.2 The Company has entered into an agreement with an associated company, First Capital Investments (Pvt.) Limited to act as its "Investment Adviser". Crescent Investment Bank is the approved custodian of the company.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting Convention**

These accounts have been prepared under the historical cost convention.

**2.2 Marketable Securities**

Listed:

These are valued at lower of average cost and market value determined on aggregate portfolio basis. The provision required against marketable securities is charged to the Income currently.

Market value has been taken from Karachi Stock Exchange quotations as on the last working day of the income year.

Pre-IPO's:

These are for which application has been made but which have not been listed at the balance sheet date and are stated at lower of average cost and break-up value determined on the basis of latest available financial statements.

**2.3 Revenue recognition**

- i) Dividend income is recognized at the time of closure of share transfer books of the company declaring dividend and is recorded net of Zakat.
- ii) Sale and purchase of securities are recorded on the date of execution of contract. Capital Gain and Losses on sale of investments is taken to income of the period in which it arises.
- iii) Return on bank deposits and securities other than shares of the company is recognized on accrual basis.

#### 2.4 Deferred expenditure

These will be amortized over a period of five years starting from financial year 1995-96.

#### 2.5 Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The company provides for deferred taxation on liability method for all major timing differences. However, net deferred tax debits are not recognized.

The company has provided tax at 5% on the dividend income for the year. The management believe that the gross sale proceeds of the shares sold during the period do not constitute turnover as implied in section 80D(i) of the Income Tax Ordinance, 1979.

	1996 (RUPEES)	1995 (RUPEES)
<b>3. DEFERRED EXPENDITURE</b>		
Public Issue	3,654,442	3,159,367
Salaries, wages and benefits	528,758	528,758
Telephone, fax, etc.	11,460	300
Printing and stationery	142,310	142,310
Traveling and conveyance	27,241	27,241
Listing fee	721,686	721,686
Revenue stamps	118,800	118,800
Advertisement	2,579,888	2,485,111
Entertainment	6,434	6,434
Legal and professional	336,810	336,810
Office expenses	18,790	18,791
	8,146,619	7,545,608
Less: Amortization	(1,629,323)	0
	6,517,296	7,545,608
	=====	=====

#### 4. INVESTMENTS IN MARKETABLE SECURITIES

Name of Company	No. of Shares	Average Rate	Total Cost	Market Price	Market Value	% of Inv. at cost in relation to:	% holding in rel.	Co's Paid up Capital	Co's No. of Shares
		Rs. per Share	Rupees	Rs. per Share	Rupees	Net Assets	Co's P. Capital	Rs. in MM	MM

#### INVESTMENT IN LISTED COMPANIES

##### Investment companies/banks

Askari Commercial Bank Limited	100,000	37.82	3,782,000	32.00	3,200,000	3.17	0.005	0.001	817	82
Bank Commerce Al-Habib Limited	1,500	38.20	57,300	31.00	46,500	0.05	0.000	0.000	300	30
Bankers Equity Limited	33,500	20.45	685,102	11.00	368,500	0.57	0.001	0.001	656	66

Crescent Masraf (Inv. Fin. Bank)Ltd.	22,500	44.94	1,011,239	17.00	382,500	0.85	0.002	0.001	428	43
Muslim Commercial Bank Limited	16,500	39.59	653,196	37.00	610,500	0.55	0.000	0.000	1,821	182
Faysal Bank Limited	151,600	32.76	4,966,311	31.75	4,813,300	4.16	0.004	0.001	1,210	121
BS Jahangir Siddique & Co. Ltd	17,125	42.82	733,331	30.00	513,750	0.61	0.007	0.002	100	10
Orix Investment Bank Limited	10,000	12.63	126,300	12.50	125,000	0.11	0.001	0.001	200	20
1st Capital Securities Corp Ltd.	164,800	18.61	3,067,421	9.50	1,565,600	2.57	0.016	0.008	194	19
			-----		-----					
			15,082,200		11,625,650					
<b>Insurance Companies</b>										
Adamjee Insurance Co. Limited	17,125	108.10	1,851,148	130.00	2,226,250	1.55	0.007	0.001	250	25
Askari General Insurance Limited	5,000	30.00	150,000	17.75	88,750	0.13	0.003	0.001	50	5
			-----		-----					
			2,001,148		2,315,000					
<b>Textile Spinning</b>										
Friends Spinning Mills Limited	4,950	10.12	50,085	6.00	29,700	0.04	0.001	0.001	73	7
Gadoon Textile Mills Limited	112,500	50.48	5,678,972	30.75	3,459,375	4.76	0.024	0.005	234	23
Friends Textile Mills Limited	63,500	7.93	503,750	4.10	260,350	0.42	0.005	0.006	100	10
Gulistan Spinning Mills Limited	61,000	12.10	738,136	6.00	366,000	0.62	0.007	0.006	100	10
Nishat Chunian Limited	79,800	13.85	1,105,540	5.75	458,850	0.93	0.008	0.006	144	14
Saif Textile Mills Limited	29,590	31.11	920,679	13.75	406,863	0.77	0.006	0.002	143	14
Saif Textile Mills (RAL)	5,918	15.00	88,770	12.75	75,455	0.07	0.003	0.002	29	3
Sapphire Fibers Limited	25,000	34.20	855,000	25.50	637,500	0.72	0.006	0.002	140	14
Taj Textile Mills Limited	33,500	7.90	264,550	2.75	92,125	0.22	0.001	0.001	256	26
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			10,205,482		5,786,217					
<b>Synthetic and Rayon</b>										
Dewan Salman Fiber Limited	1,400	49.56	69,382	40.00	56,000	0.06	0.000	0.000	1,250	125
Dhan Fiber Limited	65,000	12.36	803,433	6.00	390,000	0.67	0.000	0.000	2,968	297
Ibrahim Fibers Limited	100,500	12.15	1,220,663	6.35	638,175	1.02	0.001	0.001	2,000	200
			-----		-----					
			2,093,478		1,084,175					
<b>Cement</b>										
Cherat Cement Co. Limited	30,000	47.93	1,437,750	27.00	810,000	1.2	0.003	0.001	481	48
Pak Land Cement Limited	444,600	22.50	10,003,500	16.00	7,113,600	8.38	0.024	0.011	413	41
Lucky Cement Co. Limited	102,000	21.94	2,237,474	15.00	1,530,000	1.87	0.001	0.000	2,450	245
			-----		-----					
			13,678,724		9,453,600					
<b>Fuel and energy</b>										
Genertech Pakistan Limited	581,000	17.43	10,129,228	13.00	7,553,000	0.09	0.056	0.032	180	18
Karachi Electric Supply Corp. Ltd	200	34.66	6,931	36.75	7,350	0.01	0.000	0.000	1,782	178
Sitara Energy Limited	97,000	29.87	2,896,916	24.75	2,400,750	2.43	0.015	0.005	191	19
DG Electric Company Limited	302,500	25.00	7,562,500	14.65	4,431,625	6.33	0.038	0.015	200	20
Maple Leaf Electric Company Limited	620,500	21.43	13,296,315	9.25	5,739,625	11.14	0.033	0.016	400	40
Pakistan State Oil Company Limited	500	390.00	195,000	420.00	210,000	0.16	0.000	0.000	636	64
Ibrahim Energy Limited	61,000	38.58	2,353,502	8.50	518,500	1.97	0.019	0.005	125	13
Sui Southern Gas Company Limited	375	37.00	13,875	32.25	12,094	0.01	0.000	0.000	3,489	349
Sui Northern Gas Pipelines Limited	35,500	38.16	1,354,550	41.00	1,455,500	1.13	0.001	0.0000	2,482	248
Hub Power Limited	198,500	33.76	6,700,387	34.30	6,808,550	5.61	0.001	0.000	11,572	1,157
			-----		-----					
			44,509,204		29,136,994					
<b>Engineering</b>										
Crescent Steel Allied Products Ltd	2,600	72.00	187,200	47.00	122,200	0.16	0.001	0.000	152	15
<b>Auto and Allied</b>										
Honda Atlas Cars Limited	461,500	23.67	3,822,549	24.00	3,876,000	3.2	0.040	0.017	96	10
Pak Suzuki Motors Company Limited	15,000	42.77	641,525	41.50	622,500	0.54	0.001	0.000	491	49
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			4,464,074		4,498,500					



**Cables and electrical goods**

Pak Electron Limited	30	58.53	1,756	32.00	960	0	0.00	0.00	185	19
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**Transport and communication**

Pak Telecommunication Limited	222,000	40.53	8,998,260	39.25	8,713,500	7.54	0.001	0.000	6,000	600
PakDataCom Limited	25,900	28.09	727,563	19.50	505,050	0.61	0.013	0.005	54	5

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9,725,823	9,218,550

**Chemical and pharmaceutical**

Searl Pak Limited	35,200	72.72	2,559,900	37.75	1,328,800	2.14	0.024	0.003	105	11
Engro Chemicals Pakistan Limited	30,000	159.93	4,798,000	160.00	4,800,000	4.02	0.007	0.000	701	70
Shaft Chemicals Limited	525,000	10.08	5,293,225	6.65	34,912,250	4.43	0.044	0.044	120	12
Fauji Fertilizer Company Limited	50,500	78.05	3,941,596	90.50	4,570,250	3.3	0.001	0.000	2,685	268
F.F.C Jordan Company Limited	55,000	15.71	863,775	15.25	838,750	0.72	0.000	0.000	3,171	317

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17,456,496	15,029,050

**Leasing companies**

Askari Leasing Limited	6,500	42.18	274,200	19.75	128,375	0.23	0.001	0.000	200	20
Pakistan Indl. Leasing Corp. Limited	12,600	37.68	474,710	14.50	182,700	0.4	3.000	0.001	182	18
Trust Leasing Corp. Limited	40	26.08	1,043	6.50	260	0	0.000	0.000	168	17

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749,953	311,335

**Textile Weaving**

Kohinoor Weaving Mills Limited	7,500	8.38	62,875	5.00	37,500	0.05	0.000	0.001	140	14
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**Textile composite**

Crescent Textile Mills Limited	41,475	25.02	1,037,775	15.00	622,125	0.87	0.003	0.001	335	34
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**Paper and board**

Century Paper & Board Mills Limited	76,200	37.11	2,827,562	33.75	2,571,750	2.37	0.011	0.003	260	26
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**Food and allied**

Sunflo citrus Limited	2,000	8.78	17,560	4.00	8,000	0.01	0.000	0.000	265	27
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**Miscellaneous**

Tri-Pack Films Limited	29,500	27.49	810,989	13.00	383,500	0.64	0.003	0.001	300	30
AI-Khair Gadoon Limited	538,000	14.92	8,026,990	15.00	8,070,000	6.72	0.080	0.054	100	10
Diamond Industries Limited	40,500	32.15	1,302,199	20.00	810,000	1.09	0.014	0.005	90	9

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10,140,178	9,263,500

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134,241,488	101,085,106

**INVESTMENT IN UN-LISTED COMPANIES**

Sazgar Engineering Works Limited	500,000	10.00	5,000,000	10.00	5,000,000	4.19	0.07	0.070	72	7
Trust Investment Bank Limited	10,000	10.00	100,000	10.00	100,000	0.08		0.000		
Southern Electric Power Company Ltd.	500,000	10.00	5,000,000	10.00	5,000,000	4.19	0.01	0.006	827	83
Japan Power Generation Limited	100,000	10.00	1,000,000	10.00	1,000,000	0.84		0.000		

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11,100,000	11,100,000

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145,341,488	112,185,106

Less:

Provision for diminution in value

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-33,156,382

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112,185,106

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These securities are ordinary fully paid shares of Rs. 10/- each unless stated otherwise.

5. This includes Rs. 109,862 receivable from First Capital Securities Corporation Limited.

The maximum aggregate balance recoverable from associated undertakings at the end of any month during the year was Rs. 14,642,193 (1995: Rs. Nil).

	1996	1995
	(RUPEES)	(RUPEES)

**6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE**

Interest receivable	13,478	0
Dividend receivable	114,000	17,750
Withholding tax	95,175	12,660
	-----	-----
	222,653	30,410
	=====	=====

**7. CASH AND BANK BALANCES**

Cash at bank:		
-In current accounts	80,742	38,268,662
-In saving accounts	5,735,641	49,547,542
	-----	-----
	5,816,383	87,816,204
	=====	=====

**8. DUE TO FIRST CAPITAL INVESTMENTS (PRIVATE) LIMITED**

Opening balance	82,449	0
Add:		
Investment advisory fee	2,126,201	0
Markup on deferred costs	701,816	83,449
Others	107,863	(1,000)
	-----	-----
	2,935,880	82,449
	-----	-----
Less:	3,018,329	82,449
Receipts/adjustments during the year (excluding payments on account of deferred expenses)	1,914,818	0
	-----	-----
	1,103,511	82,449
	=====	=====

**9. CREDITORS AND OTHER LIABILITIES**

Payable against trading of shares	13,802,755	9,915,218
Other payable	52,000	99,500
	-----	-----
	13,854,755	10,014,718
	=====	=====

Payable against trading of shares includes Rs.8,357,605 (1995: Rs.9,915,218) payable to First Capital Securities Corporation Limited (an associated company)

The maximum balance due to associated undertakings (excluding deferred expenses, referred to in Note-10) at the end of any month during the year was Rs. 9,351,254 (1995: Rs. 9,997667).

**10. DEFERRED EXPENSES PAYABLE**

Deferred costs	6,036,486	0
Add: Additions during the year	601,012	7,545,608
	-----	-----

	6,637,498	7,545,608
Less: Current maturity of deferred expenses payable	(1,659,377)	(1,509,122)
	-----	-----
	4,978,121	6,036,486
	=====	=====

The expenditure incurred on the incorporation and floatation of First Capital Mutual Fund Limited was paid by First Capital Investments (Pvt.) Limited, the investment adviser.

These expenses are to be repaid to First Capital Investments (Pvt.) Limited over a period of five years in equal annual installments. Interest is being charged at the rate of 9% accruing from the month in which the expenditure is incurred.

#### 11. CONTINGENCIES & COMMITMENTS

There were no significant contingencies or commitments at the balance sheet date.

#### 12. INVESTMENT ADVISORY FEE PAYABLE

2% of net assets of FCMF	2,126,201	2,673,660
Waived by the company		0 (2,673,660)
	-----	-----
	2,126,201	(0)
	=====	=====

#### Assets

Deferred expenditure	6,517,296	7,545,608
Marketable securities'	112,185,106	55,936,500
Accounts receivable against trading of shares	1,093,117	0
Advances, deposits, prepayments & other receivable	222,653	30,410
Cash and bank balances	5,816,383	87,816,204
	-----	-----
	125,834,555	151,328,722

#### Liabilities

Deferred expenditure payable	4,978,121	7,545,608
Due to associated undertakings	636,687	0
Creditors and other liabilities	13,854,755	10,097,167
Provision for taxation	54,923	2,967
	-----	-----
	19,524,486	17,645,742
Assets before calculating investment advisory fee	106,310,069	133,682,980
	-----	-----
Investment advisory fee	2,126,201	0
	-----	-----
Net assets	104,183,868	133,682,980
	=====	=====

The remuneration of Investments Adviser, at 2% for the first five years of the investment company's existence and thereafter at 1% of the net assets of the company as at the end of its year of account in terms of clause 11 (a) of the Investment Companies and the Investment Advisers Rules, 1971 has been determined as above.

	1996	1995
	(RUPEES)	(RUPEES)

#### 13. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Deferred expenditure	601,012	7,545,608
Interest on deferred expenditure	701,816	83,449
Others	107,863	(1,000)
Transaction of shares through First Capital Securities Corporation Limited:		

-Purchases	201,720,252	122,621,293
-Sales	161,140,304	50,370,620

**14. FIGURES**

- have been rounded off to the nearest rupee, and
- of previous year have been re-arranged and regrouped wherever necessary to facilitate comparison.

**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE INVESTMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 1996**

	1996 (RUPEES)	1995 (RUPEES)
<b>INCOME</b>		
Investment advisory fee from FCMF	2,126,201	0
Mark up income on deferred expenses	701,816	83,449
Markup income	0	17,808
	-----	-----
	2,828,017	101,257
<b>EXPENDITURE</b>		
Salaries, wages and benefits	1,481,549	71,666
Rent	72,000	0
Telephone, fax, etc.	412,582	0
Utilities	134,615	0
Insurance	21,246	23,907
Printing and stationery	239,513	7,351
Traveling and conveyance	39,393	4,920
Postage, courier, etc.	26,213	0
News papers and periodicals	9,348	0
Entertainment	26,699	1,983
Legal and professional charges	84,520	0
Office expenses	27,483	13,905
Software development	0	50,000
Advertisement	19,200	0
Zakat	0	0
Auditors' remuneration	10,000	10,000
Depreciation	111,473	108,613
	-----	-----
	2,715,834	292,345
<b>OPERATING PROFIT</b>		
	112,183	(191,088)
Financial charges	60,016	54,745
	-----	-----
<b>NET OPERATING PROFIT</b>	52,167	(245,833)
<b>TAXATION</b>		
Current	10,631	506
Deferred	0	0
	-----	-----
	10,631	506
<b>PROFIT AFTER TAXATION</b>		
	41,536	(246,339)
Unappropriated profit/(loss) brought forward	(246,339)	0
	-----	-----
Unappropriated profit/(loss) carried forward	(204,803)	-246,339
	=====	=====

Note:

Income not relating to investment company has not been included in the above statement. However, expenses have not been allocated as the cost relating to other income is considered to be immaterial.

**Pattern of Shareholding  
As at June 30, 1996**

No. of Share Holders	Shareholdings		Total Shares Held
	From	To	
2,840	1	100	274,380
542	101	500	238,880
49	501	1,000	38,580
71	1,001	5,000	196,040
24	5,001	10,000	194,180
4	10,001	15,000	51,640
6	15,001	20,000	116,460
1	35,001	40,000	40,000
5	45,001	50,000	244,780
1	55,001	60,000	60,000
1	60,001	65,000	60,800
1	70,001	75,000	71,000
1	75,001	80,000	76,000
1	80,001	85,000	83,000
5	95,001	100,000	496,000
2	100,001	105,000	206,860
3	145,001	150,000	450,000
1	190,001	195,000	190,500
7	195,001	200,000	1,384,000
1	240,001	245,000	245,000
1	245,001	250,000	246,500
1	345,001	350,000	350,000
1	390,001	395,000	392,100
2	395,001	400,000	800,000
1	695,001	700,000	700,000
1	715,001	720,000	715,500
2	770,001	775,000	1,548,600
2	775,001	780,000	1,559,300
1	930,001	935,000	931,100
1	1,495,001	1,500,000	1,500,000
1	1,535,001	1,540,000	1,538,800
-----	-----	-----	-----
3,580			15,000,000
=====	=====	=====	=====

Categories of Shareholders	No. of Shareholders	Share Held	Percentage
1. Individuals	3,524	1,410,780	9.41
2. Investment Companies	1	8,300	0.06
3. Joint Stock Companies	19	4,904,420	32.70
4. Financial Institutions	23	6,404,900	42.70
5. Modaraba Companies	6	88,800	0.59
6. Foreign Companies	4	1,951,000	13.0067
7. Leasing Companies	3	231,800	1.5453
-----	-----	-----	-----
<b>TOTAL:</b>	<b>3,580</b>	<b>15,000,000</b>	<b>100.000</b>
=====	=====	=====	=====