

First Capital Mutual Fund Limited

(Annual Report 1997)

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Board of Directors

Mr. Salmaan Taseer

Chairman

Mr. Zahid Zia

Chief Executive

Mr. Khurshid Hadi

Mr. Mian Jahangir Elahi

Mr. Abdul Waheed Alavi

Mr. Bashir A. Sheikh

Mr. Humayun Nabi Jan

Company Secretary

Mr. Jamil Raza Syed

Investment Committee

Mr. Zahid Zia - Chief Executive

Dr. Amjad Waheed - Chief Operating Officer

Auditors

M/s 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 the 3rd Annual General Meeting of the shareholders of the Company will be held on December 30, 1997 at 11:00 a.m. at 103-C/II, Gulberg-III, Lahore to transact the following business:-

1. To confirm the minutes of the second Annual General Meeting of the Members.
2. To receive, consider and adopt the annual audited accounts of the Company together with the Auditors' and Director's Report for the year ended June 30, 1997.
3. To appoint Auditors for the year ending June 30, 1998 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 of the Company with the permission of the Chair.

By the Order of the Board

JAMIL RAZA SYED

(Company Secretary)

Dated: 09-12-1997

Notes:

1. The share transfer book of the Company will remain closed from 31st December, 1997 to 7th January, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend the meeting 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.

Director's Report to the Shareholders

For the year ended June 30, 1997

The Directors have pleasure in presenting their report and the audited financial statements for the year ended June 30, 1997.

1996-1997 REVIEW

Fiscal year 1997 was a tough year where we saw sacking of an elected government by the President, an interim government that failed to improve the economic situation, and then a pro-business government forced to do too much in

too little a time. The KSE-100 index dropped 6.6% from 1703.8 on July 1, 1996 to 1566 by June 30, 1997. Similarly, State Bank General Share Price Index dropped 16.2% from 171 in June 1996 to 143 in June 1997. The net asset value of your Fund rose by 1.1% during the same time period, thus outperforming market indices by a healthy margin.

The net asset value of your Fund as of June 30, 1997 was Rs 7.03 per share which was at a significant premium to the market price of Rs 2 per share. The market price of the Fund is determined by demand and supply forces and is affected by sentiments among investors towards the stock market in general and the mutual fund industry in particular. As these sentiments improve the market price is expected to move closer to its net asset value.

FUTURE OUTLOOK

As a result of investor friendly budget and an improvement in business and investor confidence the stock market has experienced a bull run in the first quarter of the current financial year and your fund has risen with the market. Pakistani stock market is cheap at present with shares trading at attractive levels. A resolution of the political crisis and release of the second tranche by the IMF in February 1998 could result in the next bull rally at that time. This being the case, we expect the net asset value of the fund to exceed Rs 10 per share by June 1998.

FINANCIAL

	1997	1996
	(Rupees)	(Rupees)
Profit before taxation	1,496,726	(29,447,156)
Taxation	(270,148)	(51,956)
	-----	-----
Profit after taxation	1,226,578	(29,499,112)
Accumulated loss brought forward	(45,816,132)	(16,317,020)
	-----	-----
Accumulated loss carded forward	(44,589,554)	(45,816,132)
	=====	=====

DIVIDEND

The Directors do not recommend payment of a Dividend due to the accumulated losses brought forward.

BOARD OF DIRECTORS

Subsequent to the year end Mr. Salmaan Taseer resigned as the Chief Executive of the Company. Mr. Zahid Zia was appointed by the Board to fill in the casual vacancy of the Chief Executive. He is a qualified Chartered Accountant and brings with him over three years of rich experience of finance and stock market. Mr. Salmaan Taseer, however, will remain the Chairman of the Board.

PATTERN OF SHAREHOLDING

The pattern of shareholding is attached with this report.

AUDITORS

The present auditors' M/s Taseer Hadi Khalid & Co. retire and being eligible, offer themselves for reappointment.

Auditors' Report to the Members

For the year ended June 30, 1997

We have audited the annexed balance sheet of FIRST CAPITAL MUTUAL FUND LIMITED as at June 30, 1997 and the related profit and loss account and cash flow statement 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 and explanations which to the best of our knowledge and belief were necessary for the purposes 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 Adviser's Rules, 1971;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the Investment Companies and Investment Adviser's Rules, 1971 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 profit and loss account and the cash flow statement 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, 1997 and of the profit and cash flow for the year ended on that date;

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

LAHORE
06 DEC, 1997

TASEER HADI KHALID & CO.
Chartered Accountants

Balance Sheet

As at June 30, 1997

	Note	1997 (Rupees)	1996 (Rupees)
SHARE CAPITAL			
Authorised capital:			
20,000,000 ordinary shares of Rs. 10/-each		200,000,000	200,000,000
Issued, subscribed and paid-up capital:			
15,000,000 ordinary shares of Rs. 10/-each issued as fully paid-up in cash		150,000,000	150,000,000
Accumulated loss		44,589,554	(45,816,132)

Remuneration to the Investment Adviser	15	2,151,234	2,126,201
		5,124,733	5,874,979
		-----	-----
		(11,272,954)	(13,115,083)
Provision for diminution in value of marketable securities		--	(16,332,073)
Excess of provision for diminution in value of marketable securities written back		12,769,680	--
		-----	-----
PROFIT / (LOSS) BEFORE TAXATION		1,496,726	(29,447,156)
Provision for taxation		(270,148)	(51,956)
		-----	-----
		1,226,578	(29,499,112)
Accumulated loss brought forward		(45,816,132)	(16,317,020)
		-----	-----
ACCUMULATED LOSS AFTER TAXATION CARRIED FORWARD		(44,589,554)	(45,816,132)

These accounts should be read in conjunction with the attached notes.

Cash Flow Statement

For the year ended June 30, 1997

	1997	1996
	(Rupees)	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) after taxation	1,226,578	(29,499,112)
ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH		
Amortization of deferred cost	1,629,323	1,629,323
Excess of provision written back	(12,769,680)	
Provision for diminution in value of shares		16,332,073
Provision for taxation	270,148	51,956
	(10,870,209)	18,013,352
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENTS OF WORKING CAPITAL	(9,643,631)	(11,485,760)
WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Marketable securities	28,227,375	(72,580,679)
Advances, deposits, prepayme	(2,037,995)	(192,243)
Accounts receivable	(1,422,425)	(1,093,117)
	24,766,955	(73,866,039)
	-----	-----

	15,123,324	(85,351,799)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Due to investment adviser	1,625,585	1,171,317
Creditors and other liabilities	(10,893,522)	3,840,038
	(9,267,937)	5,011,355
	-----	-----
NET CASH IN/(OUT) FLOWS FROM OPERATING ACTIVITIES	5,855,387	(80,340,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred cost paid to investment advi	(1,659,377)	(1,659,377)
	-----	-----
NET CASH OUT FLOWS FROM FINANCING ACTIVITIES	(1,659,377)	(1,659,377)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,196,010	(81,999,821)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,816,383	87,816,204
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10,012,393	5,816,383
	=====	=====

Notes to the Accounts

For the year ended June 30, 1997

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 the lower of average cost and market value determined on aggregate portfolio basis. The provision for diminution in value of shares 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 companies for which application has been made but which have not been listed at the balance sheet date. These pre-initial public offerings are stated at the 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.

	1997	1996
	(Rupees)	(Rupees)

3. DEFERRED EXPENDITURE PAYABLE

Deferred costs	4,978,121	6,036,486
Add: Additions during the year	--	601,012
	-----	-----
	4,978,121	6,637,498
Less: Current maturity of deferred expenses payable	(1,659,377)	(1,659,377)
	-----	-----
	3,318,744	4,978,121
	=====	=====

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

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

Note	1997	1996
	(Rupees)	(Rupees)

4. DUE TO INVESTMENT ADVISER

Opening balance	1,103,511	82,449
Add:		
Investment advisory fee	2,151,234	2,126,201
Markup on deferred costs	520,862	701,816
Others	57,000	107,863
	2,729,096	2,935,880
	-----	-----
	3,832,607	3,018,329

Less:		
Payments/adjustments during the year	1,103,511	1,914,818
	-----	-----
	2,729,096	1,103,511
	=====	=====

5. CREDITORS AND OTHER LIABILITIES

Payable against trading of shares	5.10	2,901,233	13,802,755
Other payable		60,000	52,000
		-----	-----
		2,961,233	13,854,755
		=====	=====

5.1 Payable against trading of shares includes Rs. 2,301,933 (1996: Rs. 8,357,605) 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. 2,301,933 (1996: Rs. 9,351,254).

	1997	1996
	(Rupees)	(Rupees)

6. DEFERRED EXPENDITURE

Public Issue	3,654,442	3,654,442
Salaries, wages and benefits	528,758	528,758
Telephone, fax, etc.	11,460	11,460
Printing and stationery	142,310	142,310
Travelling and conveyance	27,241	27,241
Listing fee	721,686	721,686
Revenue stamps	118,800	118,800
Advertisement	2,579,888	2,579,888
Entertainment	6,434	6,434
Legal and professional	336,810	336,810
Office expenses	18,790	18,790
	-----	-----
	8,146,619	8,146,619
Less: Amortization	(3,258,646)	(1,629,323)
	-----	-----
	4,887,973	6,517,296
	=====	=====

7. INVESTMENTS IN MARKETABLE SECURITIES

Name of Company	NUMBER OF SHARE/ CERTIFICATES		Bonus	Sales	BALANCE AS AT JUNE 30, 1997			PERCENTAGE IN RELATION TO	
	Opening	Purchase			No. of Shares/ Certificates	At cost (Rupees)	At market (Rupees)	Own net assets (with cost of investment)	Paid-up capital of Investee Co.
Investment companies/banks									
Askaft Commercial Bank Ltd.	100,000	25,000	19,225	73,500	70,725	1,960,887	1,962,619	1.86	0.08
Bank Commerce Al-Habib Ltd.	1,500	--	150	--	1,650	57,300	47,025	0.05	0.01
Bankers Equity Ltd.	33,500	--	--	33,500	--	--	--	--	--
Crescent Masraf Ltd.	22,500	--	--	--	22,500	1,011,239	322,875	0.96	0.05
Muslim Commercial Bank Ltd.	16,500	10,000	--	26,500	--	--	--	--	--
Faysal Bank Ltd.	151,600	45,000	--	25,000	171,600	5,446,954	4,607,460	5.17	0.14
Trust Investment Bank Ltd.	10,000	--	--	10,000	--	--	--	--	--
B S Jahangir Siddique & Co. Ltd.	17,125	--	--	17,125	--	--	--	--	--
Orix Investment Bank Ltd.	10,000	--	--	10,000	--	--	--	--	--
First Capital Securities Corp. Ltd.	164,800	--	--	--	164,800	3,067,421	1,812,800	2.91	0.85
						-----	-----		
Insurance companies						11,543,801	8,752,779		
Shaheen Insurance Ltd.	--	1,000	--	--	1,000	7,630	7,500	0.01	0.02
Commercial Union Assurance	--	10,000	--	10,000	--	--	--	--	--
Askari General Insurance Ltd.	5,000	--	--	5,000	--	--	--	--	--
Adamjee Insurance Co. Ltd.	17,125	--	4,281	--	21,406	1,851,148	1,947,946	1.76	0.07
						-----	-----		
						1,858,778	1,955,446		
Textile spinning									
Gadon Textile Mills Ltd.	112,500	--	--	22,000	90,500	4,568,416	3,031,750	4.33	0.39
Friends Textile Mills Ltd.	63,500	--	--	35,500	28,000	222,125	84,000	0.21	0.28
Friends Spinning Mills Ltd.	4,950	--	--	4,950	--	--	--	--	--
Gulistan Spinning Mills Ltd.	61,000	--	--	--	61,000	738,137	707,600	0.70	0.61
Ibrahim Textile Mills Ltd.	--	75,000	--	--	75,000	1,067,250	600,000	1.01	0.55
Nishat Chunian Ltd.	79,800	42,500	--	80,000	42,300	549,798	655,650	0.52	0.29
Saif Textile Mills Ltd.	35,508	47,500	--	8,000	75,008	1,673,891	1,181,376	1.59	0.42
Taj Textile Mills Ltd.	33,500	--	--	33,500	--	--	--	--	--
Sapphire Fibres Ltd.	25,000	--	--	--	25,000	855,000	855,000	0.81	0.18
						-----	-----		
						9,674,617	7,110,376		
Synthetic and Rayon									
Dhan Fibres	65,000	40,000	--	85,000	20,000	124,587	94,000	0.12	0.01
Dewan Salman Fibres Ltd.	1,400	50,000	--	41,000	10,400	391,416	360,360	0.37	0.01
Ibrahim Fibres Ltd.	100,500	14,000	--	114,500	--	--	--	--	--
						-----	-----		
Cement						516,003	454,360		
Cherat Cement Co. Ltd.	30,000	36,000	--	30,000	36,000	997,850	739,800	0.95	0.07
D. G Khan Cement Co. Ltd.	--	90,000	--	80,000	10,000	139,398	122,000	0.13	0.01
Fauji Cement Ltd.	--	45,000	--	45,000	--	--	--	--	--
Pak Land Cement Ltd.	444,600	3,632,300	--	3,735,300	341,600	4,334,829	3,245,200	4.11	0.41
Lucky Cement Co. Ltd.	102,000	--	--	102,000	--	--	--	--	--
						-----	-----		
Fuel and Energy						5,472,077	4,107,000		

Genertech Pakistan Ltd.	581,000	--	--	581,000	--	--	--	--	--
D G Electric Company Ltd.	302,500	--	--	300,000	2,500	62,500	20,000	0.06	0.01
Karachi Elect. Supply Corp. Ltd.	200	--	--	200	--	--	--	--	--
Sitara Energy Ltd.	97,000	--	--	97,000	--	--	--	--	--
Maple Leaf Elect. Co. Ltd.	620,500	--	--	310,000	310,500	6,653,015	2,872,125	6.31	0.78
Pakistan State Oil Co. Ltd.	500	17,200	5,310	--	23,010	6,656,300	7,489,755	6.31	0.03
Japan Power Generation Ltd.	100,000	679,500	--	50,000	729,500	8,008,710	5,690, t00	7.60	9.12
Ibrahim Energy Ltd.	61,000	--	--	--	61,000	2,353,502	671,000	2.23	0.49
Southern Elect. Power Co. Ltd.	500,000	--	--	500,000	--	--	--	--	--
Shell Pakistan Ltd.	--	4,300	--	--	4,300	1,014,900	1,010,500	0.96	0.02
Sui Southern Gas Company Ltd.	375	40,000	71	28,875	11,571	340,633	329,774	0.32	0.00
Sui Northern Gas Pipelines Ltd.	35,500	113,000	12,600	--	161,100	5,306,400	5,114,925	5.03	0.06
Hub Power Ltd.	198,500	390,000	--	335,000	253,500	9,265,012	10,368,150	8.79	0.02
Engineering						39,660,972	33,566,329		
Crescent Steel Allied Products Ltd.	2,600	--	390	--	2,990	187,200	85,215	0.18	0.02
Sazgar Engineering Works Ltd.	500,000	300,000	--	300,000	500,000	4,521.86	3,250.00	4.29	6.98
Auto and Allied						4,709,060	3,335,215		
Honda Atlas Cars Ltd.	161,500	2,000	--	25,000	138,500	3,268,584	2,631,500	3.10	0.35
Pak Suzuki Motors Co. Ltd.	15,000	29,500	--	--	44,500	1,912,425	2,225,000	1.81	0.09
Cables and Electrical goods						5,181,009	4,856,500		
Pak Electron Ltd.	30	--	--	30	--	--	--	--	--
Transport and Communication									
PakTelecommunication Ltd.	222,000	1,108,000	--	1,097,000	233,000	7,200,856	7,141,450	6.83	0.00
Pak Data Corn Ltd.	25,900	--	2,590	--	28,490	727,563	334,758	0.69	0.48
Chemical and Pharmaceutical						7,928,419	7,476,208		
Searl Pak Ltd.	35,200	--	--	--	35,200	2,559,900	1,161,600	2.43	0.29
Engro Chemicals Pakistan Ltd.	30,000	10,000	6,875	12,500	34,375	4,437,156	4,915,625	4.21	0.04
Shaft Chemicals Ltd.	525,000	--	--	115,500	409,500	4,128,719	2,661,750	3.92	3.41
Fauji Fertilizer Company Ltd.	50,500	46,000	--	19,000	77,500	5,941,948	6,161,250	5.64	0.03
F.F.C Jordan Company Ltd.	55,000	10,000	--	65,000	--	--	--	--	--
Chemicals Res. & Alkalis						17,067,723	14,900,225		
Ravi Alkalis Ltd.	--	10,000	--	10,000	--	--	--	--	--
I.C.I Pakistan Ltd.	--	20,000	--	20,000	--	--	--	--	--
Leasing Companies									
Askari Leasing Ltd.	6,500	27,000	--	--	33,500	1,012,600	837,500	0.96	0.17
N.D.L.C	--	25,000	--	--	25,000	235,650	225,000	0.22	0.07
Pakistan Indl. Leasing Corp. Ltd.	12,600	--	--	--	12,600	474,710	170,100	0.45	0.07
Trust Leasing Corp. Ltd.	40	--	--	40	--	--	--	--	--
Modarabas						1,722,960	1,232,600		
First Habib Bank Modaraba	--	100,000	--	--	100,000	568,000	570,000	0.54	0.25
						568,000	570.00		

Textile Weaving

Kohinoor Weaving Mills Ltd.	7,500	--	--	--	7,500	62,875	75,000	0.06	0.05
						-----	-----		
						62,875	75,000		

Textile Composite

Crescent Textile Mills	41,475	--	140	41,475	140	--	2,198	--	--
Nishat Mills Ltd.	--	68,000	--	15,000	53,000	1,455,350	1,060,000	1.38	0.05
						-----	-----		
						1,455,350	1,062,198		

Paper and Board

Packages Ltd.	--	7,500	--	--	7,500	422,250	465,000	0.40	0.02
Century Paper & Board Mills Ltd.	76,200	--	7,620	--	83,820	2,827,562	1,466,850	2.68	0.29
						-----	-----		
						3,249,812	1,931,850		

Food and Allied

Sunflo citrus Ltd.	2,000	--	--	2,000	--	--	--	--	--
Miscellaneous									
AI-Khair Gadoon Ltd.	538,000	965,000	--	965,000	538,000	5,140,458	4,707,500	4.88	5.38
Diamond Industries Ltd.	40,500	--	--	--	40,500	1,302,199	633,825	1.24	0.45
Tri-Pack films Ltd.	29,500	--	--	29,500	--	--	--	--	--
						-----	-----		
						6,442,657	5,341,325		
						-----	-----		
						117,114,113	96,727,411		

Less:

Provision for diminution in value of shares						(20,386,702)			

						96,727,411			
						=====			

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

Provision for diminution in value of shares						(Rupees)			
for the year ended June 30, 1995						16,824,309			
for the year ended June 30, 1996						16,332,073			
Less: provision written back						(12,769,680)			

						20,386,702			
						=====			

8. This includes Rs. 2,512,312 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. 6,137,487 (1996: Rs. 14,642,193).

	1997	1996
	(Rupees)	(Rupees)

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Interest receivables	-	13,478
Dividend receivables	2,164,125	114,000

Withholding tax	96,523	95,175
	-----	-----
	2,260,648	222,653
	=====	=====

10. CASH AND BANK BALANCES

Cash at bank:

- In current accounts	22,149	80,742
- In saving accounts	9,990,244	5,735,641
	-----	-----
	10,012,393	5,816,383
	=====	=====

11. CONTINGENCIES & COMMITMENTS

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

Note	1997	1996
	(Rupees)	(Rupees)

12. LOSS ON SALE OF MARKETABLE SECURITIES

178,938,454 259,774,304

Sales

Less: Cost of sales

Opening stock of marketable securities	145,341,488	72,760,809
Purchases of marketable securities	162,867,652	342,939,014
Closing stock of marketable securities	(117,114,113)	(145,31,488)
	-----	-----
	191,095,027	270,358,335
	-----	-----
	(12,156,573)	(10,584,031)
	=====	=====

13. ADMINISTRATIVE EXPENSES

Custodian charges		408,242	1,100,769
Auditors' remuneration	13.10	65,000	52,000
Amortization of deferred expenditure		1,629,323	1,629,323
Zakat		49,889	48,100
Legal and professional charges		194,860	74,060
Miscellaneous		--	14,923
		-----	-----
		2,347,314	2,919,175
		=====	=====

13.1 Auditors' remuneration

Audit fee		55,000	50,000
Out of pocket expenses		10,000	2,000
		-----	-----
		65,000	52,000
		=====	=====

14. FINANCIAL EXPENSES

Interest on deferred expenditure		520,862	701,816
Bank charges		105,323	127,787
		-----	-----
		626,185	829,603

15. INVESTMENT ADVISORY FEE PAYABLE

2 % of net assets of FCMF	2,151,234	2,126,201
	-----	-----
	2,151,234	2,126,201
	=====	=====
Assets		
Deferred expenditure	4,887,973	6,517,296
Marketable securities	96,727,411	112,185,106
Trade debts - unsecured - considered good	2,515,542	1,093,117
Advances, deposits, prepayments & other receivable	2,260,648	222,653
Cash and bank balances	10,012,393	5,816,383
	-----	-----
	116,403,967	125,834,555
Liabilities		
Deferred expenditure payable	3,318,744	4,978,121
Due to associated undertakings	2,237,239	636,687
Creditors and other liabilities	2,961,233	13,854,755
Provision for taxation	325,071	54,923
	-----	-----
	8,842,287	19,524,486
	-----	-----
Assets before calculating investment advisory fee	107,561,680	106,310,069
Investment advisory fee	2,151,234	2,126,201
	-----	-----
Net assets	105,410,446	104,183,868
	=====	=====

The remuneration of Investment 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.

16. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Deferred expenditure	--	601,012
Interest on deferred expenditure	520,862	701,816
Others	57,000	107,863
Transaction of shares through First Capital Securities Corporation Limited		
- Purchases	132,314,724	201,720,252
- Sales	143,742,894	161,140,304

17. 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, 1997

1997	1996
(Rupees)	(Rupees)

INCOME		
Investment advisory fee from FCMF	2,151,234	2,126,201
Markup income on deferred expenses	520,862	701,816
Markup income	159,163	--
	-----	-----
	2,831,259	2,828,017
EXPENSES		
Salaries, wages and benefits	1,511,183	1,481,549
Rent	55,800	72,000
Telephone, fax, etc.	212,785	412,582
Utilities	156,970	134,615
Insurance	51,436	21,246
Printing and stationery	132,857	239,513
Travelling and conveyance	36,906	39,393
Postage, courier, etc.	14,647	26,213
News papers and periodicals	15,332	9,348
Entertainment	790	26,699
Legal and professional charges	353,850	84,520
Office expenses	98,040	27,483
Software development	17,000	-
Advertisement	18,260	19,200
Zakat	15,725	-
Auditors' remuneration	15,000	10,000
Depreciation	113,454	111,473
	-----	-----
	2,820,035	2,715,834
	-----	-----
OPERATING PROFIT	11,224	112,183
Financial charges	64,020	60,016
	-----	-----
NET OPERATING (LOSS)/PROFIT	(52,796)	52,167
TAXATION		
Current	10,756	10,631
	-----	-----
(LOSS)/PROFIT AFTER TAXATION	(63,552)	41,536
Unappropriated loss brought forward	(204,803)	(246,339)
	-----	-----
Unappropriated loss carried forward	(268,355)	(204,803)
	=====	=====

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, 1997

No. of Share Holders	Shareholdings		Total Shares Held
	From	To	
2,823	1	100	272,700

