



Balance Sheet

As at 30 June 2003

	NOTE	2003 Rupees	2002 Rupees (Restated)
ASSETS			
Marketable Securities	3	102,098,987	92,826,352
Other Assets			
Dividends and other receivables	4	16,015,722	612,744
Security deposits		150,000	300,000
Bank balances	5	19,752,436	3,912,612
		35,918,158	4,825,356
Total Assets		<u>138,017,145</u>	<u>97,651,708</u>
CURRENT LIABILITIES			
Due to Investment Adviser - an associated company	6	2,038,386	1,749,433
Accounts payable	7	728,888	9,838,322
Provision for taxation		375,050	375,050
Proposed dividend		37,500,000	-
		40,642,324	11,962,805
CONTINGENCIES AND COMMITMENTS	8	-	-
NET ASSETS		<u>97,374,821</u>	<u>85,688,903</u>
SHAREHOLDERS' EQUITY			
Share capital			
Authorised			
20,000,000 ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital	9	150,000,000	150,000,000
Unappropriated loss		(52,625,179)	(64,311,097)
		<u>97,374,821</u>	<u>85,688,903</u>

The annexed notes 1 to 17 form an integral part of these accounts.

The financial statements were authorised for issue on 07 October 2003 by the Board of Directors of the company

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Profit & Loss Account

For the Year Ended 30 June 2003

	NOTE	2003 Rupees	2002 Rupees (Restated)
INVESTMENT INCOME			
Capital gain	10	34,471,650	2,938,501
Dividend income		7,596,064	7,162,909
Other income	11	43,180	108,107
		<u>42,110,894</u>	<u>10,209,517</u>
GAIN/(LOSS) DUE TO CHANGE IN FAIR VALUE OF MARKETABLE SECURITIES	3	11,240,934	(8,189,363)
		<u>53,351,828</u>	<u>2,020,154</u>
OPERATING EXPENSES			
Administrative expenses	12	2,137,012	1,270,549
Remuneration of investment adviser	6.1	1,905,571	1,713,769
Financial expenses		123,327	579,702
		<u>4,165,910</u>	<u>3,564,020</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>49,185,918</u>	<u>(1,543,866)</u>
PROVISION FOR TAXATION			
-Current year	15	-	375,050
-Prior years'		-	54,953
		-	430,003
PROFIT/(LOSS) FOR THE YEAR		<u>49,185,918</u>	<u>(1,973,869)</u>
EARNINGS PER SHARE- BASIC		<u>3.28</u>	<u>(0.13)</u>
DIVIDEND PER SHARE		<u>2.50</u>	<u>-</u>

The annexed notes 1 to 17 form an integral part of these accounts.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Cash Flow Statement

For the Year Ended 30 June 2003

	2003 Rupees	2002 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	49,185,918	(1,543,866)
Adjustment for:		
(Gain)/loss due to change in fair value of marketable securities	(11,240,934)	8,189,363
	<u>(11,240,934)</u>	<u>8,189,363</u>
Operating profit before working capital changes	37,944,984	6,645,497
(Increase)/decrease in:		
Marketable securities	1,968,299	(18,490,056)
Security deposits	150,000	-
Accounts receivable	(14,978,918)	607,162
	<u>(12,860,619)</u>	<u>(17,882,894)</u>
Increase/(decrease) in current liabilities		
Due to investment adviser	288,953	(39,481)
Accounts payable	(9,109,356)	9,281,289
	<u>(8,820,403)</u>	<u>9,241,808</u>
Net cash generated/(used in) from operating activities	16,263,962	(1,995,589)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(78)	(274)
Tax paid	(424,060)	(683,142)
NET CASH USED IN FINANCING ACTIVITIES	(424,138)	(683,416)
NET INCREASE/(DECREASE) IN BANK BALANCES	15,839,824	(2,679,005)
BANK BALANCES AT THE BEGINNING OF THE YEAR	3,912,612	6,591,617
BANK BALANCES AT THE END OF THE YEAR	19,752,436	3,912,612

The annexed notes 1 to 17 form an integral part of these accounts.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Distribution Statement

For the Year Ended 30 June 2003

	2003 Rupees	2002 Rupees (Restated)
ACCUMULATED LOSS BROUGHT FORWARD	(64,311,097)	(62,337,228)
PROFIT/(LOSS) FOR THE YEAR	49,185,918	(1,973,869)
	<u>(15,125,179)</u>	<u>(64,311,097)</u>
DIVIDEND @ Rs. 2.5/- PER SHARE (2002: NIL)	(37,500,000)	-
ACCUMULATED LOSS CARRIED FORWARD	<u>(52,625,179)</u>	<u>(64,311,097)</u>

The annexed notes 1 to 17 form an integral part of these accounts.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Statement of Movement in Equity & Reserves

For the Year Ended 30 June 2003

	2003 Rupees	2002 Rupees (Restated)
NET ASSETS PER SHARE AS AT 01 JULY 2002	5.71	5.85
INCOME/GAIN/(LOSS) FROM TRANSACTIONS IN MARKETABLE SECURITIES - PER SHARE	2.30	0.20
GAIN/(LOSS) DUE TO CHANGE IN FAIR VALUE OF MARKETABLE SECURITIES - PER SHARE	0.75	(0.55)
OTHER NET INCOME EXCLUDING CAPITAL GAIN FOR THE YEAR	0.23	0.21
PROFIT FOR THE YEAR - PER SHARE	3.28	(0.14)
DIVIDEND FOR THE YEAR - PER SHARE	(2.50)	-
NET ASSETS PER SHARE AS AT 30 JUNE 2003	6.49	5.71

The annexed notes 1 to 17 form an integral part of these accounts.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Notes to the Accounts

For the Year Ended 30 June 2003

1. STATUS AND NATURE OF BUSINESS

First Capital Mutual Fund Limited (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 was registered as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971. The Investment Companies and Investment Advisers Rules, 1971 have been repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("Rules"). The company is listed on the Karachi and Lahore Stock Exchanges. The object of the company is to carry on the business of a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges. The company is domiciled in Lahore, Pakistan.

The company has entered into an agreement with an associated company, First Capital Investments (Private) Limited to act as its "Investment Adviser". Subsequent to the year-end, the custodian Crescent Investment Bank Limited has merged into Mashreq Bank Pakistan Limited, who is the successor under the scheme of arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These accounts have been prepared in accordance with approved accounting standards applicable in Pakistan, requirements of the Companies Ordinance, and the Rules. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, directives issued by SECP or the Rules differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the requirements of the said directives or the Rules take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except that marketable securities are stated at their fair values.

2.3 Change in accounting policy

The company recognizes its "held for trading" investments, initially at cost and subsequently remeasures the same to fair value. Up to June 2002, net unrealized gains so determined on an aggregate portfolio basis were taken to equity instead of profit and loss account, in accordance with the relaxation given by the Securities and Exchange Commission of Pakistan (SECP) vide letter, No. SC/MF/ED/241/2002, dated June 19, 2002 and SC/MF/JD/191/2002 dated September 12, 2002. The said relaxation was valid till suitable amendments were made in the Income Tax Ordinance, which were made under clause (99) of part I of the Second Schedule to the said Ordinance through S.R.O 728(1)/2002 dated October 23, 2002.

Accordingly, SECP vide its letter No. SC/MF/ED/293/2002 dated December 02, 2002 withdrew the above relaxation and required mutual funds to fully comply with all the requirements of International Accounting Standard (IAS) - 39. Accordingly, unrealized gains and unrealized losses are now recognized in profit and loss account on the aggregate portfolio basis. The effect of change in accounting policy has been accounted for retrospectively in accordance with the benchmark treatment of IAS - 8 "Net Profit and Loss for the period, Fundamental Errors and Change in Accounting Policies". This has resulted in increasing the profit for the year by Rs. 16.55 million (2002: Rs 2.07 million).



2.4 Marketable securities

Listed

Marketable securities are classified as held for trading. These are stated at their fair values. Effective July 01, 2002, any unrealized gains and unrealized losses are recognized in profit and loss account on the aggregate portfolio basis. The securities are initially recognized at cost and are recognized / de-recognized by the company on the date it commits to purchase / sell off securities. The fair value of these securities representing listed equity and debt securities is determined on the basis of closing market prices obtained from Stock Exchange quotations and quotes from brokers.

The listed equity securities purchased and sold with simultaneous commitment to resale / repurchase are presented as receivable / payable under reverse repurchase / repurchase transaction and the difference between the purchase and resale consideration is recognized on an accrual basis considering settlement dates.

Pre-IPOs

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.

2.5 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 tax liability under the liability method.

No charge for current taxation is made in the accounts if the company intends to distribute 90 percent or more of its accounting profit as reduced by capital gains whether realized or unrealized amongst its shareholders in accordance with the exemption available under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001.

2.6 Revenue recognition

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

2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

2.8 Provisions

A provision is recognized when the company has a present legal or constructive obligation as a result of past events and 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.



3. MARKETABLE SECURITIES

NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES					BALANCE AS AT 30 JUNE 2003				PERCENTAGE IN RELATION TO				
	Opening	Purchase	Bonus	Sales	Closing Balance	Cost	Carrying Value	Market Value	Unrealized gain/(loss)	Own net assts at cost	Market Value	No. of Shares of Investee company	Total Investment at cost Market Value	
RUPEES														
These securities are ordinary fully paid shares/certificates of Rs. 10/- each unless stated otherwise														
Mutual Fund														
I.C.P. S.E.M.F	212,000	802,000	-	1,014,000	-	-	-	-	-	-	-	-	-	-
Modaraba Companies														
Islamic Modaraba 1st	-	4,000	-	4,000	-	-	-	-	-	-	-	-	-	-
Leasing Companies														
National Development Leasing Corp. Ltd.	-	100,000	-	-	100,000	1,112,350	1,112,350	1,055,000	(57,350)	1.14	1.14	0.26	1.17	1.03
Askari Leasing Ltd.	-	25,000	-	-	25,000	448,750	448,750	451,250	2,500	0.46	0.46	0.08	0.47	0.44
						1,561,100	1,561,100	1,506,250	(54,850)					
Investment Companies / Banks														
First Capital Securities Corp. Ltd.	121,819	52,500	-	121,819	52,500	569,623	569,623	737,625	168,002	0.58	0.58	0.15	0.60	0.72
First Capital Equities Ltd.	-	200,000	-	-	200,000	3,576,000	3,576,000	6,220,000	2,644,000	3.67	3.67	1.67	3.77	6.09
Mashreq Bank Pakistan Ltd. (Formerly Crescent Investment Bank Ltd.)	38,500	-	-	38,500	-	-	-	-	-	-	-	-	-	-
Muslim Commercial Bank Ltd.	11,000	395,500	7,500	366,500	47,500	1,737,916	1,737,916	1,783,625	45,709	1.78	1.78	0.02	1.83	1.75
Askari Commercial Bank Ltd.	7,500	60,500	-	68,000	-	-	-	-	-	-	-	-	-	-
National Bank of Pakistan Ltd.	-	1,101,500	17,550	894,000	225,050	6,115,212	6,115,212	6,143,865	28,653	6.28	6.28	0.05	6.45	6.02
Faysal Bank Ltd.	-	65,000	-	65,000	-	-	-	-	-	-	-	-	-	-
The Bank of Punjab	-	244,000	-	244,000	-	-	-	-	-	-	-	-	-	-
Atlas Investment Bank Ltd.	-	50,000	-	-	50,000	674,050	674,050	675,000	950	0.69	0.69	0.16	0.71	0.66
P.I.C.I.C.	3,000	96,500	-	59,500	40,000	1,111,888	1,111,888	1,152,000	40,112	1.14	1.14	0.04	1.17	1.13
						13,784,689	13,784,689	16,712,115	2,927,426					
Insurance Companies														
International General Insurance Co. of Pakistan Ltd.	20,194	-	16	20,132	78	5,456	4,498	11,700	7,202	0.01	0.00	0.00	0.01	0.01
Shaheen Insurance Co. Ltd.	504,487	273,500	-	5,000	772,987	6,435,847	6,285,466	16,735,169	10,449,703	6.61	6.45	9.66	6.79	16.39
Commercial Union Life Assurance Co. Ltd.	-	55,000	-	-	55,000	759,574	759,574	940,500	180,926	0.78	0.78	0.14	0.80	0.92
Adamjee Insurance Co. Ltd.	92	32,501	-	32,593	-	-	-	-	-	-	-	-	-	-
Pakistan Reinsurance Co. Ltd.	-	7,500	-	7,500	-	-	-	-	-	-	-	-	-	-
						7,200,877	7,049,538	17,687,369	10,637,831					
Textile Composite														
Nishat Mills Ltd.	39,100	715,500	5,090	709,690	50,000	1,889,245	1,889,245	1,752,500	(136,745)	1.94	1.94	0.04	1.99	1.72
Nishat (Chunian) Ltd.	8,500	66,500	-	65,000	10,000	401,200	401,200	407,500	6,300	0.41	0.41	0.02	0.42	0.40
Kohinoor Textile Mills Ltd.	-	155,000	-	155,000	-	-	-	-	-	-	-	-	-	-
						2,290,445	2,290,445	2,160,000	(130,445)					
Textile Spinning														
Umer Fabrics Ltd.	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-	-
Synthetic & Rayon														
Dewan Salman Fibers Ltd.	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-
Ibrahim Fibers Ltd.	15,000	70,000	-	85,000	-	-	-	-	-	-	-	-	-	-
Cement														
D.G. Khan Cement Co. Ltd.	-	814,000	-	764,000	50,000	1,312,590	1,312,590	1,542,500	229,910	1.35	1.35	0.03	1.39	1.51
Maple Leaf Cement Factory Ltd.	-	315,500	-	315,500	-	-	-	-	-	-	-	-	-	-
Pioneer Cement Ltd.	50,000	400,000	-	450,000	-	-	-	-	-	-	-	-	-	-



Lucky Cement Ltd.	-	615,000	-	465,000	150,000	2,870,280	2,870,280	2,707,500	(162,780)	2.95	2.95	0.06	3.03	2.65
Chakwal Cement Co. Ltd.	-	132,000	-	132,000	-	-	-	-	-	-	-	-	-	-
Attock Cement Pakistan Ltd.	-	60,000	-	60,000	-	-	-	-	-	-	-	-	-	-
Pakland Cement Ltd.	41,512	-	-	-	41,512	228,316	211,711	415,120	203,409	0.23	0.22	0.05	0.24	0.41
						4,411,186	4,394,581	4,665,120	270,539					
Fuel & Energy														
Southern Electric Power Co. Ltd.	-	100,000	-	-	100,000	1,750,200	1,750,200	1,705,000	(45,200)	1.80	1.80	0.08	1.85	1.67
Sui Southern Gas Co. Ltd.	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-
Hub Power Co. Ltd.	521,500	1,789,000	-	2,070,500	240,000	9,916,008	9,916,008	9,096,000	(820,008)	10.18	10.18	0.02	10.47	8.91
Japan Power Generation Ltd.	-	125,000	-	125,000	-	-	-	-	-	-	-	-	-	-
Kohinoor Energy Ltd.	-	575,500	-	575,500	-	-	-	-	-	-	-	-	-	-
Karachi Electric Supply Corporation Ltd.	250,000	-	-	250,000	-	-	-	-	-	-	-	-	-	-
Pakistan State Oil Co. Ltd.	21,000	165,000	4,401	155,400	35,001	8,400,678	8,400,678	7,992,478	(408,200)	8.63	8.63	0.02	8.87	7.83
Attock Refinery Ltd.	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
National Refinery Ltd.	-	74,000	-	28,000	46,000	4,936,217	4,936,217	4,554,000	(382,217)	5.07	5.07	0.07	5.21	4.46
Pakistan Refinery Ltd.	-	36,000	-	27,000	9,000	1,700,801	1,700,801	1,635,300	(65,501)	1.75	1.75	0.05	1.80	1.60
Pakistan Oilfields Ltd.	-	180,000	-	165,000	15,000	3,195,058	3,195,058	3,378,000	182,942	3.28	3.28	0.02	3.37	3.31
Bosicor Pakistan Ltd.	-	100,000	-	100,000	-	-	-	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Ltd.	50,000	986,500	-	1,036,500	-	-	-	-	-	-	-	-	-	-
Shell Pakistan Ltd.	12,800	21,500	-	34,300	-	-	-	-	-	-	-	-	-	-
						29,898,962	29,898,962	28,360,778	(1,538,184)					
Engineering														
Bolan Castings Ltd	-	2,000	-	2,000	-	-	-	-	-	-	-	-	-	-
Crescent Steel & Allied Products Ltd	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Sazgar Engineering Works Ltd	501,500	1,500	-	24,000	479,000	12,916,569	9,953,812	7,161,050	(2,792,762)	13.26	10.22	6.69	13.63	7.01
						12,916,569	9,953,812	7,161,050	(2,792,762)					
Auto & Allied														
Indus Motor Co. Ltd.	-	163,000	-	163,000	-	-	-	-	-	-	-	-	-	-
Dewan Farooque Motors Ltd.	-	480,500	-	453,500	27,000	766,260	766,260	706,050	(60,210)	0.79	0.79	0.04	0.81	0.69
General Tyre & Rubber Co. of Paksitan Ltd	-	64,500	-	44,500	20,000	1,134,026	1,134,026	1,148,000	13,974	1.16	1.16	0.03	1.20	1.12
Honda Atlas Cars Pakistan Ltd.	-	26,500	-	26,500	-	-	-	-	-	-	-	-	-	-
Pakistan Suzuki Motor Co. Ltd.	-	49,000	-	39,000	10,000	1,068,499	1,068,499	990,000	(78,499)	1.10	1.10	0.02	1.13	0.97
Pakistan International Airlines Corp. (A)	-	338,500	-	338,500	-	-	-	-	-	-	-	-	-	-
Suzuki Motorcycles Pakistan Ltd.	-	39,500	-	-	39,500	574,725	574,725	464,125	(110,600)	0.59	0.59	0.09	0.61	0.45
Pakistan National Shipping Corporation Ltd.	-	15,000	-	15,000	-	-	-	-	-	-	-	-	-	-
						3,543,510	3,543,510	3,308,175	(235,335)					
Transport & Communications														
Pakistan Telecommunication Co. Ltd. "A"	667,700	1,821,500	-	2,339,200	150,000	4,198,174	4,198,174	4,267,500	69,326	4.31	4.31	0.00	4.43	4.18
Telecard Ltd.	12,600	125,000	-	137,600	-	-	-	-	-	-	-	-	-	-
WorldCALL Communications Ltd.	1,227,700	1,575,625	188,675	2,651,375	340,625	4,042,779	4,046,677	5,177,500	1,130,823	4.15	4.16	0.21	4.27	5.07
WorldCALL Multimedia Ltd.	1,500,000	-	-	1,500,000	-	-	-	-	-	-	-	-	-	-
						8,240,953	8,244,851	9,445,000	1,200,149					
Chemical & Pharmaceutical														
Searle Pakistan Ltd.	8,500	45,222	-	53,722	-	-	-	-	-	-	-	-	-	-
Engro Chemicals (Pakistan) Ltd.	25,049	96,000	-	121,049	-	-	-	-	-	-	-	-	-	-
Fauji Fertilizer Co. Ltd.	9,000	165,000	-	109,000	65,000	5,645,141	5,643,677	5,658,250	14,573	5.80	5.80	0.03	5.96	5.54
FFC-Jordan Fertilizer Co. Ltd.	-	1,576,000	-	1,576,000	-	-	-	-	-	-	-	-	-	-
Pakistan PTA Ltd.	30,000	100,000	-	130,000	-	-	-	-	-	-	-	-	-	-
I.C.I. Pakistan Ltd.	-	158,000	-	100,000	58,000	3,311,163	3,311,163	3,114,600	(196,563)	3.40	3.40	0.04	3.49	3.05
						8,956,304	8,954,840	8,772,850	(181,990)					
Vanaspati & Allied														
Wazir Ali Industries Ltd	214,513	-	-	89,653	124,860	1,872,900	1,136,225	2,247,480	1,111,255	1.92	1.17	1.64	1.98	2.20
						1,872,900	1,136,225	2,247,480	1,111,255					



Food & Allied													
Unilever Pakistan Ltd.	476	-	-	476	-	-	-	-	-	-	-	-	-
(Formerly Lever Brothers Pakistan Ltd.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Nestle Milkpak Ltd.	7,478	-	-	7,478	-	-	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>				
Paper & Board													
Packages Ltd.	178	-	-	178	-	-	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>				
Miscellaneous													
Treet Corporation Ltd.	8,477	-	-	8,477	-	-	-	-	-	-	-	-	-
Zulfiqar Industries Ltd.	100,000	-	-	100,000	-	-	-	-	-	-	-	-	-
Diamond Industries Ltd.	43,500	-	-	36,500	7,000	63,350	45,500	72,800	27,300	0.07	0.05	0.08	0.07
						63,350	45,500	72,800	27,300				
						<u>94,740,845</u>	<u>90,858,053</u>	<u>102,098,987</u>	<u>11,240,934</u>				

- 3.1 Net assets are as defined in rule 2 (XXXIV) of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 3.2 The percentage in relation to the own net assets (of the company) has been calculated in relation to the cost and market value of the respective investments.
- 3.3 The percentage in relation to the investee company's paid up capital has been calculated with reference to the number of shares held in that investee company.
- 3.4 The company's aggregate investment in "Fuel & Energy" sector according to the classification of the Karachi Stock Exchange, exceeds the maximum allowable limit under Rule 49(4) of the Rules.



	2003 Rupees	2002 Rupees
4. DIVIDENDS AND OTHER RECEIVABLES		
On account of sale of shares- unsecured considered good	14,364,811	3,198
Dividends	713,759	74,580
Advance tax	937,152	513,092
Pre paid expenses	-	21,874
	<u>16,015,722</u>	<u>612,744</u>
5. BANK BALANCES		
Cash at bank:		
- on current accounts	2,171	2,411
- on deposit accounts	19,750,265	3,910,201
	<u>19,752,436</u>	<u>3,912,612</u>
6. DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS (PVT.) LIMITED		
Opening balance	1,749,433	1,788,914
2% of net assets	1,905,571	1,713,769
	<u>3,655,004</u>	<u>3,502,683</u>
Less: Payments made during the year	<u>(1,616,618)</u>	<u>(1,753,250)</u>
	<u>2,038,386</u>	<u>1,749,433</u>

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

	2003 Rupees	2002 Rupees
Average annual net assets after charging remuneration of Investment Advisor & annual fee to SECP (2002: net assets after charging remuneration of the Investment Advisor)	<u>95,278,544</u>	<u>86,063,953</u>
2% of annual average net assets	<u>1,905,571</u>	<u>1,713,769</u>



	2003 Rupees	2002 Rupees
7. ACCOUNTS PAYABLE		
Accrued custodian fee	117,466	89,399
Payable on account of repurchase of listed equity securities	-	9,246,219
Audit fee	105,000	80,000
Tax deducted at source	1,848	32,716
Fees and subscription	17,174	-
Annual fee-SECP	97,490	-
Unpaid dividend	389,910	389,988
	<u>728,888</u>	<u>9,838,322</u>
8. CONTINGENCIES AND COMMITMENTS		
There are no contingencies and commitments for which the company may be liable.		
9. SHARE CAPITAL		
Issued, subscribed and paid up:		
15,000,000 Ordinary shares of Rs. 10/- each fully paid in cash	<u>150,000,000</u>	<u>150,000,000</u>
10. CAPITAL GAIN		
Sales	511,008,566	110,255,497
Less: Cost of sales - Note 10.1	<u>478,429,112</u>	<u>107,550,873</u>
	32,579,454	2,704,624
Income from repurchase of listed equity securities	<u>1,892,196</u>	<u>233,877</u>
	<u>34,471,650</u>	<u>2,938,501</u>
10.1 Cost of sales		
Opening investments	92,826,352	87,455,331
Less: Provision on investments	-	(4,929,672)
Opening investments at carrying value	92,826,352	82,525,659
Add: Purchases	476,460,813	117,851,566
	569,287,165	200,377,225
Less: Carrying value of closing investments before adjustment of fair value as at 30 June 2003	(90,858,053)	(92,826,352)
	<u>478,429,112</u>	<u>107,550,873</u>



	2003 Rupees	2002 Rupees
11. OTHER INCOME		
Mark-up on bank accounts	43,180	35,198
Mark-up on TFCs	-	45,934
Miscellaneous income	-	26,975
	<u>43,180</u>	<u>108,107</u>
12. ADMINISTRATIVE EXPENSES		
Custodian fee and CDC charges	1,774,880	1,087,074
Auditors' remuneration (12.1)	168,500	80,000
Provincial professional tax	-	75,000
Annual fee to SECP	97,490	-
Zakat deducted	40,000	-
Annual subscription fee-MUFAP	39,049	-
Other expenses	17,093	28,475
	<u>2,137,012</u>	<u>1,270,549</u>

12.1 Auditors' remuneration includes the following:

Annual audit fee	75,000	65,000
Fee for review of half-yearly accounts	30,000	-
Other certifications	35,000	-
Out of pocket expenses	28,500	15,000
	<u>168,500</u>	<u>80,000</u>

13. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors and key management personnel and associated companies. Transactions with related parties during the year are as follows:

Transaction of shares		
- Purchases	24,007,700	-
- Sales	41,378,865	-
-Commission paid (FCEL)	164,250	-
Advisory fee (FCIL)	1,905,571	1,713,769

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



14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

14.1 The company's exposure to interest rate risk and the effective rates of its financial assets and liabilities are summarized as follows:

2003	Interest bearing		Non-Interest bearing	
	(Amount in Rupees)		(Amount in Rupees)	
	One month to three months	Less than one year	Non interest bearing	Total
Financial assets				
Marketable securities - net	-	-	102,098,987	102,098,987
Accounts receivable	-	-	16,015,722	16,015,722
Security deposits	-	-	150,000	150,000
Bank balances	-	435,118	19,317,318	19,752,436
	-	435,118	137,582,027	138,017,145
Effective interest rates		3.50%		
Financial liabilities				
Due to Investment Adviser	-	-	2,038,386	2,038,386
Accounts payable	-	-	728,888	728,888
Proposed dividend	-	-	37,500,000	37,500,000
Provision for taxation	-	-	375,050	375,050
	-	-	40,642,324	40,642,324
2002				
	Interest bearing		Non-Interest bearing	
	(Amount in Rupees)		(Amount in Rupees)	
	One month to three months	Less than one year	Non interest bearing	Total
Financial assets				
Marketable securities - net	-	-	92,826,352	92,826,352
Accounts receivable	-	-	612,744	612,744
Security deposits	-	-	300,000	300,000
Bank balances	-	406,979	3,505,633	3,912,612
	-	406,979	97,244,729	97,651,708
Effective interest rates		11%		
Financial liabilities				
Due to Investment Adviser	-	-	1,749,433	1,749,433
Accounts payable	-	-	9,838,322	9,838,322
Provision for taxation	-	-	375,050	375,050
	-	-	11,962,805	11,962,805



14.2 Concentration of credit risk and credit exposure of financial instruments.

The company believes it is not exposed to major concentration of credit risk as its debt securities are traded on stock exchanges and other receivables are not material.

14.3 Fair value

The fair value of the financial assets and liabilities is estimated to approximate their carrying values.

15. TAXATION

The company's tax assessments have been finalized upto the DCIT level till assessment year 2002-2003. The DCIT has raised demands aggregating Rs.820,725/- for the assessment years 1998-1999 to 2002-2003, which are being contested at the appellate level. Provision for additional tax liability has not been made in these accounts, as the company is hopeful of a favorable outcome of the appeals.

16. PERFORMANCE TABLE

	2003	2002 (Restated)	2001	2000	1999	1998	1997	1996	1995
Net assets (Rupees)	97,374,821	85,688,903	87,662,772	92,445,566	83,897,790	77,767,270	105,410,446	104,183,868	133,682,980
Profit/(loss) after tax (Rupees)	49,185,918	(1,973,869)	(4,782,794)	16,047,776	6,130,521	(27,643,177)	1,226,578	(29,499,112)	(16,317,020)
Net assets value per share (Rupees)	6.49	5.71	5.84	6.16	5.59	5.18	7.03	6.95	8.91
Earnings/ (Loss) per share (Rupees)	3.28	(0.13)	(0.32)	1.07	0.41	(1.84)	0.08	(1.97)	(1.09)
Rate of dividend (%)	25%	Nil	Nil	5%	Nil	Nil	Nil	Nil	Nil

17. GENERAL

17.1 Figures have been rounded off to the nearest rupee.

17.2 Figures of previous year have been restated on account of change in accounting policy referred to note 2.3.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



***Statement of Income & Expenditure in Relation
to the Investment Company***

For the Year Ended 30 June 2003

	2003 Rupees	2002 Rupees
REVENUE		
Investment advisory fee from FCMF	1,905,571	1,713,769
ADMINISTRATIVE EXPENSES	<u>2,155,260</u>	<u>2,887,621</u>
OPERATING LOSS	(249,689)	(1,173,852)
OTHER INCOME	<u>594,848</u>	-
	345,159	(1,173,852)
Financial charges	<u>17,376</u>	<u>475</u>
NET OPERATING PROFIT/(LOSS)	<u>327,783</u>	<u>(1,174,327)</u>
TAXATION	(1,654,539)	8,569
PROFIT/(LOSS) AFTER TAXATION	<u>1,982,322</u>	<u>(1,182,896)</u>
Unappropriated loss brought forward	(4,120,872)	(2,937,976)
Unappropriated loss carried forward	<u>(2,138,550)</u>	<u>(4,120,872)</u>
Earnings per share- Basic	<u>1.04</u>	<u>(0.62)</u>

LAHORE

CHIEF EXECUTIVE

DIRECTOR



Financial Highlights

	Rupees in Thousands								
	2003	2002	2001	2000	1999	1998	1997	1996	1995
Capital gain/(loss)	34,472	2,939	(4,964)	15,135	(37,942)	1,859	(12,157)	(10,584)	414
Dividend income	7,596	7,163	2,328	4,830	2,369	3,916	5,403	1,039	18
Gain/(loss) on remeasurement of marketable securities	11,241	(8,189)	(273)	288	(45,472)	30,000	12,770	16,332	16,824
Operating expenses	4,166	3,564	2,423	4,006	4,519	5,284	5,125	5,875	656
Net gain/(loss) before taxation	49,186	(1,544)	(4,614)	16,230	6,263	(27,447)	1,497	(29,447)	(16,314)
Taxation	-	430	169	182	132	196	270	52	3
Net gain/(loss) after taxation	49,185	(1,974)	(4,783)	16,048	6,131	(27,643)	1,227	(29,499)	(16,317)
Dividend	37,500	-	-	7,500	-	-	-	-	-
Net assets	97,375	85,689	87,663	92,446	83,898	77,767	105,410	104,184	133,683
Net assets per share	6.49	5.71	5.85	6.16	5.59	5.18	7.03	6.95	8.84
Earning per share	3.28	(0.13)	0.32	1.07	0.41	(1.84)	0.08	(1.96)	(1.08)
Dividend distribution	25%	Nil	Nil	5%	Nil	Nil	Nil	Nil	Nil
KSE 100 Index	3,402.48	1,770.12	1,366.44	1,520.74	1,054.67	879.62	1,565.73	1,703.28	1,612.00



Pattern of Shareholding

As at 30 June 2003

INCORPORATION NUMBER: L-07616 of 1994-95

NO. OF SHAREHOLDERS	SHAREHOLDINGS		SHARES HELD
	FROM	TO	
2217	1	100	214,120
213	101	500	80,210
43	501	1000	37,640
64	1001	5000	198,980
29	5001	10000	244,190
5	10001	15000	70,200
8	15001	20000	147,700
3	20001	25000	72,000
1	25001	30000	26,000
1	30001	35000	35,000
2	35001	40000	79,300
4	45001	50000	194,320
1	60001	65000	64,500
1	70001	75000	71,000
2	95001	100000	198,000
1	105001	110000	107,600
1	110001	115000	115,000
1	290001	295000	290,400
1	785001	790000	785,500
1	1035001	1040000	1,038,200
1	1040001	1045000	1,043,500
1	1495001	1500000	1,500,000
1	3760001	3765000	3,762,040
1	4620001	4625000	4,624,600
2603			15,000,000

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	3,500	0.023
Associated Companies, undertakings and related parties.	1,500,000	10.000
NIT and ICP	296,450	1.976
Banks, Development Financial Institutions, Non Banking Financial Institutions	937,800	6.252
Modarabas and Mutual Funds	105,000	0.700
Share holders holding 10%	11,044,640	73.631
General Public		
a) Local	2,224,950	14.833
b) Foreign	9,615,640	64.104
Others		
- Joint Stock Companies	316,660	2.111

Note: Some of the shareholders are reflected in more than one category



Pattern of Shareholding as per Listings Regulations

As at 30 June 2003

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
Associated Companies, undertaking and related parties	
First Capital Investments Limited	1,500,000
NIT and ICP	
Investment Corporation of Pakistan	5,950
National Bank of Pakistan	290,500
Directors, CEO and their Spouse and Minor Children	
Mr. Salmaan Taseer (Director)	500
Mr. Humayun Khan Bangash (Director)	500
Mr. Khurram Hanif (CEO/Director)	500
Mr. Muhammad Ashraf Ali (Nominee Director of Faysal Bank Limited)	500
Mr. Sadar Ali Wattoo (Director)	500
Mr. Muhammad Shuaib Yousaf (Director)	500
Mr. Usman Haider (Director)	500
Executives	-
Public Sector Companies and Corporations	316,660
Banks, Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.	1,042,800
Shareholders holding 10% or more voting interest in the Company	
First Capital Investments Limited	1,500,000
Mr. Sulieman Ahmed Said Al-Hoqani	9,544,640



Company Information

Board of Directors

Salmaan Taseer
Chairman

Khurram Hanif
Chief Executive Officer

Lt. Gen. (R) Humayun Khan Bangash
Sardar Ali Wattoo
Muhammad Ashraf Ali
Muhammad Shuaib Yousaf
Usman Haider

Chief Financial Officer

Sardar Ali Wattoo

Audit Committee

Muhammad Shuaib Yousaf (Chairman)
Lt. Gen. (R) Humayun Khan Bangash (Member)
Usman Haider (Member)

Company Secretary

Ahmad Bilal

Investment Committee

Salmaan Taseer (Chairman)
Sardar Ali Wattoo (Member)
Usman Haider (Member)

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Legal Adviser

Rehman Saleem & Tarar
Advocates

Custodian

Mashreq Bank Pakistan Limited
(formerly Crescent Investment Bank Ltd.)

Registered Office / Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 5757591-4
Fax: (042) 5757590, 5877920


Investment Advisers

First Capital Investments Limited
103-C/II, Gulberg-III, Lahore

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor, Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi
☎ (021) 5689021

CONTENTS



<i>Company Information</i>	3
<i>Notice of Annual General Meeting</i>	4
<i>Financial Highlights</i>	8
<i>Directors' Report</i>	9
<i>Statement of Compliance with the Code of Corporate Governance</i>	12
<i>Review Report to the Members on Code of Corporate Governance</i>	14
<i>Auditors' Report to the Members</i>	15
<i>Balance Sheet</i>	16
<i>Profit & Loss Account</i>	17
<i>Cash Flow Statement</i>	18
<i>Statement of Changes in Equity</i>	19
<i>Statement of Movement in Equity & Reserves</i>	20
<i>Distribution Statement</i>	21
<i>Notes to the Accounts</i>	22
<i>Statement of Income & Expenditure in Relation to the Investment Company</i>	32
<i>Pattern of Shareholding</i>	33
<i>Form of Proxy</i>	35



Directors' Report

The directors of **First Capital Mutual Fund Limited** ("the Company") are pleased to present the annual report of the Company together with the audited accounts for the year ended June 30, 2003.

Company's Performance

Financial Results	For the year ended 30 June 2003 Rupees	For the year ended 30 June 2002 Rupees (Restated)
Capital gain on sale of marketable securities	34,471,650	2,938,501
Dividend income	7,596,064	7,162,909
Gain / (loss) due to change in fair value of marketable securities	11,240,934	(8,189,363)
Operating expenses	4,165,910	3,564,020
Net profit / (loss) before taxation	49,185,918	(1,543,866)
Taxation	-	430,003
Net profit / (loss) after taxation	49,185,918	(1,973,869)
Earning per share	3.28	(0.13)

The year under review witnessed a significant improvement in results as the Company secured an after-tax profit of Rs. 49.19 million against a loss of Rs. 1.97 million in the last year ended June 30, 2002 (which was as a result of a hit of unrealized loss of Rs. 8.19 million on revaluation of marketable securities). The Net Assets Value (NAV) increased from Rs. 5.71 at the end of last fiscal year to Rs. 6.49 (after dividend payment adjustment) as on June 30, 2003 showing an appreciation of 13.66%. This is mainly on account of capital gains realized to the tune of Rs 34.47 million as compared to Rs. 2.94 million in the corresponding year. The Company has adopted a cautious approach and capitalized on the opportunities in the market.

Appropriations

Keeping in view the good performance of the company, the Board of Directors announced an interim cash dividend of Rs. 2.5 per share (25 %) to the shareholders on 04 August 2003, which should also be considered as a final dividend.

Right Issue

The Board of Directors in their meeting held on October 07, 2003 has decided to raise the share capital by way of 100% Right Issue at a discount of 30% in order to expand business operations of the Company and to take advantage of the present encouraged stock market conditions. It is envisaged that the additional capital will have a positive impact on the business operation and financial performance of the Company in the growing market and hence would result in better return to the shareholders in future. The issue of Right shares is subject to the approval of the Company's shareholders and sanctioning of the same by Securities and Exchange Commission of Pakistan ("SECP"). The Board of Directors has determined the date of book closure for Annual General Meeting to be the date of determination of Right shares. The Company has also applied to SECP for approval in principal for issuance of Right shares at a discount of 30% subject to the approval of Company's shareholders and completion of necessary corporate and legal formalities. A complete schedule of Right allotment letters, circular under Sub-section 1 of Section 86 of the Companies Ordinance, 1984 and related information will be sent to the shareholders in due course after the requisite approvals.

Stock Market Behavior

The year under review saw remarkable improvements in country's economy, mainly due to declining interest and inflation rates, achievement of fiscal targets, increasing foreign exchange reserves, improvement



in balance of trade & payments and reforms introduced by the government. Foreign exchange reserves reached a record level mainly due to contribution through foreign remittances.

The stock market, in line with the aforesaid achievements, reacted very well as the KSE-100 Index closed at a high of 3402 as compared to 1770 in June 30, 2002 showing an increase of 92%. Irrespective of positive trends during the year, the market continued to be volatile and the KSE-100 Index showed some decline but recovered in the last quarter of the year ended June 30, 2003. Retail and institutional investors remained attracted to invest in the bullish run of the stock market.

Future outlook

Stock market investors are presently cautious because of the economic and political uncertainties in the region. However, we expect that the stock market will continue to attract more inflows. It is also anticipated that the privatization of Oil and Gas Development Company ("OGDC"), Habib Bank Limited ("HBL") and Pakistan State Oil ("PSO") will positively contribute towards the stock performance. Keeping in view the constantly improving regulatory environment of the capital markets, new reforms by the government and other indicators such as increase in foreign exchange reserves and continuously falling interest rates, we look forward that the stock market would continue to offer better returns to the investors.

Changes in Board of Directors

Mr. Mumtaz H Syed, Chief Executive/Director of the Company tendered his resignation on 06 June 2003. The Board accepted his resignation and appointed Mr. Khurram Hanif as Chief Executive/ Director of the Company subject to the approval of SECP. Subsequent to the year-end SECP has approved the appointment of Mr. Khurram Hanif as Chief Executive of the Company. In addition, Mr. Aamer Nasim Chishti, Director resigned on 15 August 2003 and the Board in place of Mr. Aamer Nasim Chishti, appointed Mr. Sardar Ali Wattoo, approval of SECP in the matter has also been received.

Code of Corporate Governance (CCG)

The Company for the year ended June 30, 2003 has duly complied with the provisions of the relevant code for good corporate governance. The directors hereby confirm following as required by Clause (XiX) of the Code:

1. The preparation of financial statements is the responsibility of the management of the Company. The enclosed financial statements fairly present its state of affairs, the result of operations, cash flow and changes in equity, statement of movement in reserves and distribution statement of the Company.
2. Proper books of account have been maintained as required by the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules 2003. The Company has followed the International Accounting Standards (IAS) as applicable in Pakistan.
3. The management has applied appropriate accounting policies during the year, which are also consistent with the last year, except those, which are changed due to adoption of new IAS by the Securities & Exchange Commission of Pakistan.
4. The accounting estimates are based on reasonable and prudent judgment and are in accordance with the criteria available in the respective IAS.
5. There exist sound internal controls, which were effectively implemented and monitored during the year under review.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of CCG.
8. The key financial data of last nine years are summarized in note 16 to the accounts.
9. There are no outstanding statutory payments on account of taxes, duties, levies and charges.



10. The statement as to the value of investments of provident fund, gratuity and pension funds is not applicable as the Investment Adviser is managing the Fund.
11. The detailed pattern of share holding is enclosed.
12. During the year under review four Board meetings were held. The attendance of each director at the meetings of the Board of Directors is as follows:

	Directors	Number of Board meetings attended
1	Salmaan Taseer (Chairman)	4
2	Lt. Gen. (R) Humayun Khan Bangash	4
3	Mumtaz H Syed (Chief Executive Officer)*	4
4	Muhammad Shuaib Yousaf	4
5	Usman Haider	4
6	Aamer Nasim Chishti *	3
7	Muhammad Ashraf Ali (Faysal Bank nominee director)	4

* Mr. Mumtaz H Syed and Mr. Aamer Nasim Chishti subsequently resigned and Mr. Khurram Hanif and Mr. Sardar Ali Wattoo were appointed in respective places of the outgoing directors subject to the approval of SECP. Approval from SECP has been received for the appointment of Mr. Khurram Hanif and Mr. Sardar Ali Wattoo.

Grant of leave was given by the Board to the Directors who could not attend the Board meeting.

13. During the year under review no trading in the Company's shares were carried out by the directors, CEO, CFO, Company Secretary and their spouses including minor children.

Auditors

In order to comply with the Rule 59 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, the Audit Committee has recommended the appointment of M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants as auditors for the year ending June 30, 2004 as the retiring auditors, M/s Taseer Hadi Khalid & Co. Chartered Accountants have been the auditors of the company for more than three years.

Acknowledgement

The directors wish to place on record their appreciation to employees at all levels for their dedication and commitment, thank all our shareholders and members stock exchanges for the commitment and trust reposed in us. Finally the directors acknowledge the valuable assistance, support and guidance given by the Securities and Exchange Commission of Pakistan.

For and on behalf of the Board

Lahore
7 October 2003.

Khurram Hanif
Chief Executive



Statement of Compliance with the Code of Corporate Governance *For the Year Ended 30 June 2003*

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has been convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBFII. No one is a member of Stock Exchange.
4. All casual vacancies occurring in the board were filled up by the directors within 30 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. 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 and 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. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment as determined by the CEO.
11. The directors' 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 Company 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 shares of the Company other than that disclosed in the pattern of shareholding.



14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. At present the committee includes two non executive directors including the chairman of the committee and one executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
07 October 2003.

Khurram Hanif
Chief Executive



Auditors' Report to the Members

We have audited the annexed balance sheet of **First Capital Mutual Fund Limited** as at 30 June 2003 and the related profit and loss account, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution statement together with the notes forming part thereof, for the year then ended 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and Rule 57 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 57 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b) in our opinion:
 - i) the balance sheet and profit 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 Schedule-I to the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change stated in note 2.3 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2003 and of the profit, its cash flows, changes in equity, movement in reserves and distribution for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, (XVIII) of 1980.

ISLAMABAD
7 October 2003.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS



Review Report to the Members on 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 prepared by the Board of Directors of First Capital Mutual Fund Limited to comply with the Listing Regulations of the Stock Exchanges where the Company is listed.

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

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal control.

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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at 30 June 2003.

ISLAMABAD
7 October 2003.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS



Statement of Changes in Equity

For the Year Ended 30 June 2003

	Share capital	Accumulated loss	Total
	Rupees	Rupees	Rupees
Balance as on 30 June, 2001	150,000,000	(62,337,228)	87,662,772
Loss for the year ended 30 June 2002 as reported earlier	-	(4,044,290)	(4,044,290)
Gain on remeasurement of marketable securities taken to income on change of accounting policy (Note 2.3)	-	2,070,421	2,070,421
Restated loss for the year ended 30 June 2002	-	(1,973,869)	(1,973,869)
Balance as on 30 June, 2002 (Restated)	150,000,000	(64,311,097)	85,688,903
Profit for the year ended 30 June 2003	-	49,185,918	49,185,918
Proposed interim dividend (Rs. 2.50 per share)	-	(37,500,000)	(37,500,000)
Balance as on 30 June, 2003	<u>150,000,000</u>	<u>(52,625,179)</u>	<u>97,374,821</u>

The annexed notes 1 to 17 form an integral part of these accounts.

LAHORE

CHIEF EXECUTIVE

DIRECTOR



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 shareholders of First Capital Mutual Fund Limited.

Mission

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



Notice of Annual General Meeting

Notice is hereby given that the 9th Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited ("the Company") will be held on 30 October 2003 at 11:30 a.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore to transact the following business:

Ordinary business

1. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2003 together with the Directors' and Auditors' reports thereon;
2. To approve interim Cash Dividend @ 25% declared on 4 August 2003 for the year ended 30 June 2003, which shall also be considered as the final cash dividend;
3. To appoint Auditors for the year ending 30 June 2004 and fix their remuneration;

Special business

4. To consider and approve issue of right shares at a discount and for this purpose to consider and if thought fit pass the following resolutions as "Special Resolutions" with or without modifications:

"**RESOLVED** that the share capital of the Company be increased by way of the issuance of 15 million right shares (100% of the existing paid up capital) being ordinary shares of the face value of Rs. 10/- each at a maximum discount of upto Rs. 3/- per share or lower (maximum of upto 30% or lower) on face value of each share subject to the sanctioning by the Securities and Exchange Commission of Pakistan in a manner it may be deemed fit. These right shares once issued shall rank pari passu with the existing shares in all respects."

"**RESOLVED FURTHER** that any one of the Directors or the Chief Executive or the Company Secretary be and is hereby authorized to complete the necessary corporate and legal formalities in connection with the above."

5. To consider and if deemed fit, pass the following "Special Resolutions" with or without modifications:

"**RESOLVED** that the Authorized Share Capital of the Company be and is hereby increased from Rs. 200,000,000/- divided into 20,000,000 ordinary shares of Rs. 10/- each to Rs. 350,000,000/- divided into 35,000,000 ordinary shares of Rs. 10/- each and the words and figures in clause VI of Memorandum of Association and clause 3 of Articles of Association of the Company be and are hereby amended accordingly."

"**RESOLVED FURTHER** that any one of the Directors or the Chief Executive or the Company Secretary be and is hereby authorized to complete the necessary corporate and legal formalities in connection with the above."

By Order of the Board
Ahmad Bilal
Company Secretary

Lahore
07 October 2003

**Notes:**

1. The Members Register will remain closed from 23 October 2003 to 30 October 2003 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road Karachi, the Registrar and Shares Transfer Office of the Company, by the close of business on 22 October 2003 will be considered in time for the purpose of Annual General Meeting.
2. A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
3. In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
4.
 - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen of nominees shall be produced (unless provided earlier) at the time of meeting.
 - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
5. Members are requested to notify any change in their registered address immediately.

MATERIAL FACTS ABOUT APPOINTMENT OF AUDITORS OF THE COMPANY

As per Rule 59 (b) of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("NBFC Rules") dated 1 April 2003, a close-end mutual fund shall appoint an auditor, who shall be a Chartered Accountant provided that the auditor has not been the auditor of the same close-end fund for more than three consecutive years.

As the tenure of the retiring auditors M/s Taseer Hadi Khalid & Co., Chartered Accountants will be more than three years at the date of holding of Annual General Meeting on 30 October 2003, therefore, the Board of Directors have recommended, and a shareholder has proposed that M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, be appointed as auditors for the year ending 30 June 2004 in place of the retiring auditors, at the same fee, subject to the approval of the shareholders.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the company to be held on 30 October 2003.

1) ISSUANCE OF RIGHT SHARES AT A MAXIMUM DISCOUNT OF UPTO 30%

First Capital Mutual Fund Limited ("the Company") was incorporated on 8 January 1995 as a public limited company under the Companies Ordinance, 1984 and commenced its commercial operations on 14 March 1995. The Company is registered as an Investment Company under Investment Companies



and Investment Adviser's Rules, 1971, which are now replaced with Non Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company is listed on the Karachi and Lahore Stock Exchanges. The object of the Company is to carry on the business of a close-end fund and to invest its assets in securities that are listed or proposed to be listed on the Stock Exchanges. First Capital Investments Limited ("FCIL") is the Company's "Investment Adviser" whereas, Mashreq Bank Pakistan Limited is the custodian of the Company's shares.

Forthwith, the commencement of commercial operations in March 1995, the stock market index started deteriorated and conditions remained un-conducive for a number of years thereby significantly effecting the Company's performance. Huge accumulated losses were build up. This on one hand impaired the equity of the Company and on the other hand restricted the Company to conduct business on the stock markets due to funds tied up earlier in securities. The conditions of the stock markets have improved immensely in the recent year as a result of:

- Improvement in public sector reforms
- Development of financial markets
- Increase in direct foreign investments
- Improvement in inward foreign exchange remittances
- Improvement in regulatory environment of capital markets
- Improvement in law & order conditions
- Spectacular decrease in interest rates on deposits by banks
- Active participation in stock market by banking companies

Because of the above and other related reasons the stock markets remained bullish and this tendency is envisaged to remain intact in the foreseeable future. In view of the improved stock market conditions, the Company has also performed well and has been able to pay 25% dividend for the year ended June 30, 2003.

In order to expand business operations of the Company and to take advantage of the present encouraging stock market conditions, the Board of Directors have recommended to increase its share capital from Rs.150 million to Rs.300 million in order to raise additional funds and maximize shareholders' benefits.

However to make the right issue successful, to encourage shareholders to participate actively and to provide economic benefit to the existing shareholders, the Board of Directors have recommended to make the right issue at a maximum discount of upto 30% or lower subject to the shareholders' approval and sanctioning by the Securities and Exchange Commission of Pakistan in a manner it may be deemed fit. The SECP may reduce the percentage of discount. These right shares, once issued, shall rank pari passu with the existing shares in all respects. It is considered that the issue price of Rs.7/- per share is also compatible to the Net Asset Value (NAV) of the Company.

It is envisaged that the right issue will benefit the Company and consequently the shareholders as follows:

- i) The additional capital will have a positive impact on business operations and financial performance of the Company in the growing market.
- ii) Enhancement in permissible limits of investments by the Company will increase its business volumes

The proceeds of the funds will be utilized to meet working capital requirements for the Company's operations for investment in the capital markets of Pakistan, with a purpose of achieving maximum returns for shareholders, while minimizing risks to the extent possible.

Under proviso (b) to section 84(1) of the Companies Ordinance, 1984, the Company, can issue shares at any discount rate, which is subject to the approval of shareholders and is sanctioned by the Commission under proviso (d) to the sub-section.

The Company has also applied to the Securities and Exchange Commission of Pakistan for approval in principal for issuance of Right Shares at a discount of upto 30%, subject to the approval of shareholders and completion of necessary corporate and legal formalities. Upon obtaining a formal approval from the Securities



and Exchange Commission of Pakistan, the Company will proceed with the issuance of Right Letters along with a Circular under section 86(1) to the shareholders. A complete schedule of Right Allotment Letters and related information will be intimated to the shareholders through publication in the newspapers and to the Stock Exchanges where the Company is listed.

2) INCREASE IN AUTHORIZED SHARE CAPITAL

The Board of Directors' in their meeting held on 07 October 2003 have decided to increase the paid up capital of the Company by way of 100% Right Shares, i.e. 1 share for each share held at the entitlement date, at maximum discount of upto 30% subject to the approval of the shareholders and the Securities and Exchange Commission of Pakistan. At present the Company has an Authorized Share Capital of Rs. 200 million divided into 20 million ordinary shares of Rs. 10/- each, out of which 15 million ordinary shares of Rs. 10/- each are issued and fully paid up. In order to facilitate the further issuance of 15 million shares by way of 100% Right Shares at a discount of upto 30%, the Board of Directors' have recommended that Authorized Share Capital of the Company be increased from Rs. 200 million to 350 million. This increase in capital will also necessitate amendments in clause VI of the Memorandum of Association and in clause 3 of the Articles of Association of the Company accordingly and will be read as follows:

CLAUSE-VI OF THE MEMORANDUM OF ASSOCIATION

The authorized capital of the Company is Rs. 350,000,000/- (Rupees Three Hundred and Fifty Million only) divided into 35,000,000 ordinary shares of Rs. 10/- each with the rights, privileges and conditions attaching there to as are provided by the regulations of the Company for the time being with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and subject to any permission required under the law.

CLAUSE-3 OF THE ARTICLES OF ASSOCIATION

The authorized capital of the Company is Rs. 350,000,000/- divided into 35,000,000 ordinary shares of Rs. 10/- each with powers, to the Company from time to time to increase or reduce its capital and to divide the shares in the capital for the time being into several classes and subject to any permission required by law.

INTEREST OF DIRECTORS AND THEIR RELATIVES

The directors of the company have no interest directly or indirectly in the alteration of Memorandum and Articles of Association or in proposed right issue except that they are shareholders/directors. All the Directors of the Company hold 500 qualification shares as hereunder.

Name	Status in the Company	Shares held As at 01-Sep-03
Salmaan Taseer	Director	500
Khurram Hanif	CEO/Director	500
Humayun Khan Bangash	Director	500
Sardar Ali Wattoo	Director	500
Muhammad Shuaib Yousaf	Director	500
Muhammad Ashraf Ali	Nominee Director on behalf of Faysal Bank Limited	500
Usman Haider	Director	500

INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules 2003, Companies Ordinance 1984, Listing Regulations, Companies (Issue of Capital) Rules, 1996, quarterly and annual accounts of all prior periods of the Company alongwith the financial projections of the Company and other related information of the Company, may be inspected during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting.