

FCMF

M I S S I O N

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.

V I S I O N

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.

C O N T E N T S

Company Information	05
Notice of Annual General Meeting	06
Financial Highlights - Last Ten Years	08
Directors' Report	09
Statement of Compliance with the Code of Corporate Governance	15
Auditors' Review Report on Statement of Compliance with Best practices of Code of Corporate Governance	17
Auditors' Report to the Members	18
Statement of Assets and Liabilities	19
Income Statement	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Statement of Movement in Equity & Reserves - Per Share	23
Distribution Statement	24
Notes to the Financial Statement	25
Performance Table	37
Profit & Loss Account in Relation to the Investment Adviser	38
Pattern of Shareholding	39
Form of Proxy	43

COMPANY INFORMATION

Board of Directors	Salmaan Taseer (Chairman) Kamran Hafeez (CEO) Khawaja Khalil Shah Muhammad Naveed Tariq Mahmood Ali Athar Muhammad Musharaf Khan Ahmad Bilal
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Salmaan Taseer Muhammad Naveed Tariq Muhammad Musharaf Khan
Company Secretary	Amir Mahmood
Investment Committee	Kamran Hafeez Syed Kashan Kazmi Muhammad Asim
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Adviser	Rehman Saleem & Tarar Advocates
Custodian	Crescent Commercial Bank Limited
Investment Advisers	First Capital Investments Limited 103-C/II, Gulberg-III, Lahore
Registered Office / Head Office	103-C/II, Gulberg-III Lahore, Pakistan Tel: +92 42 5757591-4 Fax: +92 42 5757590, 5877920
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi Tel: + 92 21 111-000-322, 5689021

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited (“the Company”) will be held on 30 October 2007 at 11:30 a.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on 30 October 2006;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2007 together with the Directors' and Auditors' reports thereon;
3. To approve the Interim cash dividend @ 10% as declared and paid on 06 August 2007 by the Company which shall be considered as final dividend;
4. To appoint the Auditors of the Company for the year ending 30 June 2008 and to fix their remuneration;

By order of the Board

Lahore
October 09, 2007

Amir Mahmood
Company Secretary

Notes:

- 1) The Members Register will remain closed from 23 October 2007 to 30 October 2007 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 22 October 2007 will be treated in time.
- 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 signatures 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 Director/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.

FINANCIAL HIGHLIGHTS - LAST TEN YEARS

	Rupees in thousands									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Income Statement										
Capital gain/(loss)	52,949	35,997	25,734	9,674	34,472	2,939	(4,964)	15,135	(37,942)	1,859
Dividend income	10,738	6,557	4,749	4,699	7,596	7,163	2,328	4,830	2,369	3,916
Unrealized gain/(loss) on listed securities	58,493	13,476	(0,566)	11,925	11,241	(8,189)	(273)	288	(45,472)	30,000
Operating expenses	11,183	7,196	6,018	5,019	4,166	3,564	2,423	4,006	4,519	5,284
Net gain/(loss) before taxation	114,400	48,872	24,094	21,377	49,186	(1,544)	(4,614)	16,230	6,263	(27,447)
Taxation	-	603	-	234	-	430	169	182	132	196
Net gain/(loss) after taxation	114,400	48,269	24,094	21,142	49,186	(1,974)	(4,783)	16,048	6,131	(27,643)
Earning per share	3.95	3.22	1.61	1.41	3.28	(0.13)	0.32	1.07	0.41	(1.84)
Balance Sheet										
Net assets	380,281	176,043	142,611	118,517	97,375	85,689	87,663	92,446	83,898	77,767
Net assets per share (Rupees)	12.68	11.74	9.51	7.91	6.94	5.71	5.85	6.16	5.59	5.18
Payouts										
Dividend distribution (%)	10%	10%	10%	Nil	25%	Nil	Nil	5%	Nil	Nil
Stock Exchange										
KSE 100 Index (Points)	13,772	9,989	7,450	5,279	3,402	1,770	1,366	1,520	1,054	879

DIRECTORS' REPORT

The Board of Directors of First Capital Mutual Fund Limited ("FCMF") is pleased to present the Annual Report 2007 together with the audited financial statements for the year ended June 30, 2007.

Equity Market Review

Pakistan equity market concluded financial year ended June 30, 2007 by posting double digit return for another year. KSE-100 index rose to historic levels and ended the year at 13,772 up 38% on year on year basis. This makes financial year ended June 30, 2007 6th consecutive year of bull-run. The gain of 38%, measured by benchmark KSE Index, in the outgoing fiscal year 2007 was lower than last five year average of 50% but significantly higher than the past 10-year average of 25%. Interestingly, market yielded increased return in the second half of the financial year ended June 30, 2007 versus that of the first half of the financial year. Against the gain of only 1% in the first half of the financial year ended June 30, 2007, stocks provided 37% return in the second half of the financial year ended June 30, 2007. The subdued performance of the market in first half of the financial year ended June 30, 2007 could be linked to lower Global Depository Receipts pricing of heavyweight Oil and Gas Development Company Limited coupled with the introduction of new rules regarding brokers' margins and adequacy.

The highlight of the year was the rising quantum of Dollar inflows into the local market. Against the net inflow of US\$356mn during the yesteryear, Pakistan's equity market attracted US\$2.5bn worth foreign buying during financial year ended June 30, 2007 to date. These inflows are inclusive of the three Global Depository Receipts (Oil and Gas Development Company Limited, MCB Bank Limited and United Bank Limited) worth US\$1.5 bn that were floated into the international market. Resultantly, this has improved the float adjusted market cap of Pakistan market from 20% in financial year ended June 30, 2006 to 26% by the end of financial year under review. On the other hand, foreign ownership in the float adjusted market cap has also increased to 30%.

Fund's Performance

The fund's principal revenue emanates from capital gain on listed equity securities supplemented by dividend income. During financial year ended June 30, 2007 fund exhibited substantial improvement in performance in terms of overall profitability. Following is a summary of fund's results;

Operating Results

	2007 Rupees	2006 Rupees
Net gain on listed securities	52,948,949	35,997,091
Dividend income	10,738,281	6,555,670
Other income	3,402,433	39,309
Unrealized gain on listed securities	58,492,717	13,476,246
Operating expenses	11,182,623	7,196,421
Net profit	114,399,756	48,871,895
Net Assets	380,280,534	176,042,778
NAV per share*	12.68	11.74
Earnings per share Basic**	3.95	3.22
Dividend	10%	10%

* Ex-dividend and adjusted for right issue

**Adjusted for right issue

The Board of directors is pleased to inform that the Net Asset Value per share of your Fund as on June 30, 2007 stands at Rs. 12.68 representing 39% growth over the NAV of the last year (adjusted for dividends and rights shares). The Fund managed to out-perform the KSE-100 index by 1.1% in during the year with Fund's NAV appreciating by 39% while KSE-100 by 38%.

Net profit has grown considerably showing an increase of 137%. Realized and unrealized gain investments have exhibited substantial growth because of better fund management. Dividend income has supplemented profitability with a year on year increase of 64%. Operating expenses also increased by 134% as compared to those of the preceding year, which is commensurate with increase in the size of Fund by 55% on year on year basis.

Performance Rating

During the year your Fund has been assigned a MFR of 5 Star by Pakistan Credit rating Agency Limited (PACRA) evidencing a superior performance in the category of closed end equity funds in the assessed year.

Payouts

During the year Fund declared an interim dividend of 10% (i.e., Re 1/- per share) which shall also be treated as final dividend for the year ended June 30, 2007.

Earnings per Share

Fund's earning per share has increased from Rs 3.22/- during the financial year 2006 to Rs 3.95/- for the year ended June 30, 2007.

Right Issue

Last year Fund announced 100% right shares at par value to increase the size of fund from Rs. 150 million to Rs. 300 million. Deployment of the additional amount was made in accordance with the approved investment procedures and market conditions.

Investment Objective

FCMF will seek to augment the wealth of investors through investments with strong fundamentals, geared towards securing maximum returns while simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them.

Investment Policy

FCMF will invest in listed securities or companies, which are proposed to be listed. The proportion of investment in stock of different companies & across different sectors will be based upon expected return & inherent risks. In case of investment in stocks and fixed income securities investment would be made according to the guidelines contained in the NBFC Rules.

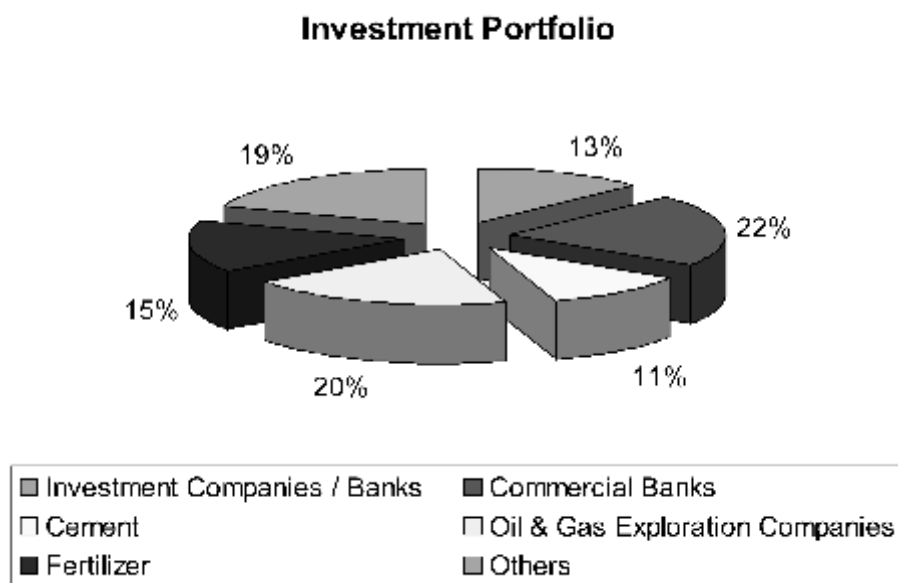
FCMF shall not invest in any security more than ten percent (10%) of the total Net Asset of FCMF or the issued capital of such company. FCMF shall adhere to the guidelines set forth in NBFC (Establishment and Regulation) Rules, 2003 (as amended from time to time) in relation to investment policy.

The Fund is managed by First Capital Investments Limited, an associated company, under an investment advisory agreement.

Portfolio Performance

During the year, your fund has outperformed the benchmark KSE-100 index by 1.1% (on adjusted basis). Our top 5 sector allocations included Commercial Banks, Oil Exploration and Production, Investment Bank / Companies, Cements and Fertilizers.

Banking Sector remained among the best performing sectors during the year. The sector has shown record levels of profitability while improved asset quality, future growth potential solicited great interest from foreign investors. Global Depository Receipts listings of two giants United Bank Limited and MCB Bank Limited received highly encouraging response from foreign investors. Cement Sector also showed phenomenal growth in market capitalization as the capacity expansions started to come online along with surge in exports with an international favorable scenario of cement demand. Performance of Energy and Power sector companies however remained subdued and disappointed most analysts forecasts due to composite factors including production hindrances from few of existing fields and a slow down in emergence of new oil and gas reserve discoveries that remained hallmark of the sector's performance in the preceding year. Issuance of Oil and Gas Development Company Limited GDR during the year at a discount from prevailing prices also dampened the investor's sentiments and at the same time added free float restricted any notable upward movement. Performance of Automobile sector remained extremely good on back of expansions and demand outlook despite import of cars. Fertilizer sector also performed well due to capacity expansions, BMR activities and supporting steps taken by the government including subsidies and initiatives for promoting use of DAP and other phosphate fertilizers in balanced composition.



Taxation

The income of FCMF will not be subject to income tax under clause 99 of the Part 1 of the 2nd Schedule to the Income Tax Ordinance, 2001, because FCMF has distributed more than 90% of its income for the year, excluding realized and unrealized capital gains to its shareholders.

Future Outlook

Pakistan Equity Market in general still offers attractive valuations and we believe that impact of any exogenous events including upcoming elections may temporary affect the sentiments in the short term, however shall not materially affect the market fundamentals. We believe Pakistan Equity Markets are less exposed to excessive speculative movements

than ever before, due to improvements brought in the market mechanism (which is expected to improve further with full implementation of Risk Management System and CFS MK-II). The market performance exhibited in the past few months of heightened political stability and stalled law and order situation in some parts of country, is indicative of its indifference to exogenous events that do not impact the business and overall economic activity.

We believe that instrumental change to the market that has been the impetus for record breaking performance is the interest of foreign investors. The reason for this unprecedented interest of foreign investors include but not limited to economic stability, stable apex political leadership and most importantly relatively cheap valuations. Further, impressive marketing of economic turnaround and future potential by Economic Managers of Country for transactions like Islamic Sukuk Bonds, Sovereign Bonds and Global Depository Receipts has solicited great interest for the capital markets in general.

While not expecting any fundamental change in the economic policies due to change of economic managers and thus the economic performance in general and equity markets in particular, we expect value and growth sectors can provide decent rate over the period.

We continue to maintain our liking in particular for Commercial Banks on decent sustainable growth in profitability, Oil Exploration and Production for expected volumetric growth, Cements on long-term favourable domestic and international demand outlook, Fertilizers on stable growth given the persistent domestic demand-supply gap and latent expansions and Investment Banks / Companies on better performance of capital markets expected in future.

Changes in the Board of Directors

Since the last report there have been changes in the composition of the Board of Directors. During the year Mr. Muhammad Faisal Potrik resigned from the Board and Mr. Muhammad Musharaf Khan has been appointed in his place with the approval of Securities and Exchange Commission of Pakistan ("SECP"). Furthermore, subsequent to the year Mr. Sardar Ali Wattoo has resigned from the board and Mr. Kamran Hafeez has been appointed as CEO in place of Mr. Muhammad Faisal Potrik and director in place of Mr. Sardar Ali Wattoo respectively with the approval of SECP. Currently the Company has seven directors on its Board.

Trading of Directors

During the year ended June 30, 2007 no trading in the Company's share were carried out by the directors, CEO, CFO, Company Secretary and their spouses including minor children.

Board Meetings

Five meetings of the Board of directors were held during the year. Attendance by each director is as follows;

Directors	Meetings Attended
Salman Taseer (Chairman)	5
Ahmad Bilal	5
Khawaja Khalil Shah	2
Muhammad Naveed Tariq	5
Mahmood Ali Athar	-
Muhammad Musharaf Khan	3
Kamran Hafeez (CEO)	-
Muhammad Faisal Potrik (CEO - Resigned)	3
Sardar Ali Wattoo (Resigned)	5

The directors who could not attend were granted leave by the Board.

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of the following directors:

Salmaan Taseer	Chairman
Muhammad Naveed Tariq	Member
Muhammad Musharaf Khan	Member

Investment Committee

Fund's core activities involve trading in listed equity securities. In addition to a prudent and proactive investment policy and strategy as discussed above, Fund has an investment committee for continuous monitoring and risk management. Following are the members of investment committee:

Kamran Hafeez
Syed Kashan Kazmi
Muhammad Asim

Pattern of Shareholding

Pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984, and Listing regulations is enclosed.

Auditors

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Fund for the financial year ending 30 June 2008.

Good Governance and Best Business Practices

Practicing Governance means bringing and ensuring that we have a comprehensive set of ethical principles plus a team that is committed to ensure that all our business activities are conducted according to those principles.

The Board of Directors of the Fund is responsible to its shareholders for managing the business of the Fund in strict compliance with the regulatory requirements and sound internal controls. In other words we have to live up to high standards that are independently verifiable. It acknowledges the responsibility for the sound internal controls and is committed to upholding the highest standards of Code of Corporate Governance.

Statement of Compliance with the best practices on Transfer Pricing

The Fund has fully complied with the best practices on transfer pricing to the extent as contained in the listing regulations of stock exchanges.

Statement of Compliance in accordance with the Code of Corporate Governance

The Fund for the year ended 30 June 2007 has duly complied with the provisions of the relevant code for good governance. The Board of Directors has reviewed the Codes and hereby confirms that:

- 1) The financial statements, prepared by the management, present fairly, its state of affairs, the results of its operations, cash flows, changes in equity, statement of movement in reserves and distribution statement of the Fund.

- 2) Proper Books of accounts of the Fund have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Fund's ability to continue as a going concern.
- 7) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8) The key financial data of last ten years is attached to this report.
- 9) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the accounts.
- 10) The Fund has followed the best practices of corporate governance, as detailed in Listing Regulations of Karachi Stock Exchange and Lahore Stock Exchange.

Acknowledgment

The Board would like to thank and appreciate all the shareholders for their continued support. The board also wishes to place on record its appreciation for the guidance and support extended by the Securities and Exchange Commission of Pakistan, Lahore Stock Exchange (Guarantee) Limited and Karachi Stock Exchange (Guarantee) Limited.

For and on behalf of the Board

Lahore:
October 05, 2007

Kamran Hafeez
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2007

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 practice 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 two 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 convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or NBFIs. No one is a member of the 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 transaction, 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 meeting of the Board were presided over by the Chairman 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 appraise 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 comprises three non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of 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 for the Company having suitable qualified and experienced personnel 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 any 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:
October 05, 2007

Kamran Hafeez
Chief Executive Officer



KPMG Taseer Hadi & Co.
Chartered Accountants
201-Office Block
Siddiq Trade Centre
72-Main Boulevard, Gulberg-II
Lahore, Pakistan

Telephone +92 (42) 578 1751-6
Fax +92 (42) 578 1757
Internet www.kpmg.com.pk

**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 Funds Limited** ("the Fund") to comply with the Listing Regulations No. 37 (Chapter XI) and No. 43 (Chapter XIII) of the respective Stock Exchanges, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Fund. 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 Fund'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 Fund personnel and review of various documents prepared by the Fund 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 system 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 controls.

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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore:
05 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a partnership firm registered in Pak 5000,
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International, a Swiss corporation



KPMG Taseer Hadi & Co.
Chartered Accountants
201-Office Block
Siddiq Trade Centre
72-Main Boulevard, Gulberg-II
Lahore, Pakistan

Telephone +92 (42) 578 1751-6
Fax +92 (42) 578 1757
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the accompanying financial statements of **First Capital Mutual Fund Limited ("the Fund")**, which comprise the statement of assets and liabilities as at 30 June 2007 and the income statement, 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 purpose of our audit.

It is the responsibility of the Investment Advisor (First Capital Investments Limited) to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said 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 Fund as required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- b) in our opinion:
 - i) the statement of assets and liabilities, the income statement, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution statement together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984 and 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 accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Fund's business, and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Fund.
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, the income statement, cash flow statement, statement of changes in equity, statement of movement in reserves and distribution statement together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and conform with approved accounting standards as applicable in Pakistan in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2007 and of the transactions of the Fund for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Usbr Ordinance, 1980 (XVIII of 1980), was deducted by the Fund and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Fund for the year ended 30 June 2006 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated 7 October 2006.

Lahore,
05 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperation

STATEMENT OF ASSETS AND LIABILITIES

As At 30 June 2007

	<i>NOTE</i>	2007 Rupees	2006 Rupees
ASSETS			
Non current asset			
Long term deposit		37,500	37,500
Current assets			
Investments at fair value through profit or loss	5	352,440,327	173,922,693
Dividend and other receivables	7	16,780,420	896,658
Bank balances	8	50,812,785	6,573,863
Total assets		420,071,032	181,430,714
LIABILITIES			
Current liabilities			
Due to investment adviser - an associated company	9	6,772,792	3,474,750
Trade and other payables	10	3,017,706	1,913,186
Dividend payable	11	30,000,000	-
Total liabilities		39,790,498	5,387,936
Net assets		380,280,534	176,042,778
Share capital and reserves			
Authorized capital 35,000,000 (2006: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital	12	300,000,000	150,000,000
Share deposit money - right issue		-	162,000
Undistributed income		80,280,534	25,880,778
Contingencies and commitments	13	380,280,534	176,042,778

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

INCOME STATEMENT

For The Year Ended 30 June 2007

	NOTE	2007 Rupees	2006 Rupees
Income			
Net gain on listed securities		52,948,948	35,997,091
Unrealized gain on listed securities	5	58,492,717	13,476,246
Dividend income		10,738,281	6,555,670
Other income	6	3,402,433	39,309
		125,582,379	56,068,316
Operating expenses			
Listing, regulatory and central depository company fee	14	782,947	452,937
Remuneration to the investment adviser	9	6,772,792	3,474,750
Securities and transaction cost		1,513,679	923,385
Legal and professional charges		115,000	387,075
Custodian fee		212,782	135,259
Auditors' remuneration	15	285,000	318,645
Bank charges		2,043	4,370
Underwriting commission		-	1,500,000
Take-up commission	16	1,498,380	-
		11,182,623	7,196,421
Net income before taxation		114,399,756	48,871,895
Provision for taxation			
Taxation	17	-	602,530
Net income for the year		114,399,756	48,269,365
Earnings per share - basic	18	3.95	3.22

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

For The Year Ended 30 June 2007

	2007 Rupees	2006 Rupees
Cash flow from operating activities		
Net income before taxation	114,399,756	48,871,895
Adjustment for:		
Dividend income	(10,738,281)	(6,555,670)
Remuneration to investment adviser	6,772,792	3,474,750
Unrealized gain due to change in fair value of listed securities	(58,492,717)	(13,476,246)
	<u>(62,458,206)</u>	<u>(16,557,166)</u>
Operating income before working capital changes	51,941,550	32,314,729
(Increase)/decrease in current assets		
Investments in listed securities	(120,024,917)	(41,375,162)
Other receivables	(14,980,680)	13,624,662
	<u>(135,005,597)</u>	<u>(27,750,500)</u>
Increase/(decrease) in current liabilities		
Trade and other payables	710,884	(12,560,193)
	<u>710,884</u>	<u>(12,560,193)</u>
Cash generated from operations	(82,353,163)	(7,995,964)
Remuneration paid to investment adviser	(3,474,750)	(2,624,117)
Tax paid	(384,591)	(15,230)
Dividend received	10,219,790	6,084,013
	<u>(82,353,163)</u>	<u>(7,995,964)</u>
Net cash used in operating activities	<u>(75,992,714)</u>	<u>(4,551,298)</u>
Cash flow from financing activities		
Dividend paid	(29,606,364)	(14,645,853)
Proceeds from issue of right shares	149,838,000	162,000
	<u>120,231,636</u>	<u>(14,483,853)</u>
Net cash generated from/(used) in financing activities	<u>120,231,636</u>	<u>(14,483,853)</u>
Net increase/(decrease) in cash and cash equivalents	<u>44,238,922</u>	<u>(19,035,151)</u>
Cash and cash equivalents at the beginning of the year	<u>6,573,863</u>	<u>25,609,014</u>
Cash and cash equivalents at the end of the year	<u>50,812,785</u>	<u>6,573,863</u>

8

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2007

	Issued, subscribed and paid up capital	Share deposit money (Right issue)	Accumulated (loss) / undistributed income	Total
----- Rupees -----				
Balance as at 01 July 2005	150,000,000	-	(7,388,587)	142,611,413
Final dividend @ Re. 1 per share for the year ended 30 June 2005	-	-	(15,000,000)	(15,000,000)
Net income for the year ended 30 June 2006	-	-	48,269,365	48,269,365
Share deposit money - right issue	-	162,000	-	162,000
Balance as at 30 June 2006	150,000,000	162,000	25,880,778	176,042,778
Share deposit money - right issue	-	149,838,000	-	149,838,000
Right shares issued	150,000,000	(150,000,000)	-	-
Final dividend @ Re. 1 per share for the year ended 30 June 2006	-	-	(30,000,000)	(30,000,000)
Net income for the year ended 30 June 2007	-	-	114,399,756	114,399,756
Interim dividend @ Re. 1 per share for the year ended 30 June 2007	-	-	(30,000,000)	(30,000,000)
Balance as at 30 June 2007	<u>300,000,000</u>	<u>-</u>	<u>80,280,534</u>	<u>380,280,534</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF MOVEMENT IN EQUITY
AND RESERVES - PER SHARE**

For The Year Ended 30 June 2007

	2007 Rupees	2006 Rupees
Net assets per share as at 01 July	11.74	9.52
Dilution due to issue of 100% right shares at par value i.e. Rs. 10 per share	(5.87)	-
Net gain from transactions in listed securities	1.76	2.40
Unrealized gain on listed securities	1.95	0.90
Net income for the year excluding net gain from sale of listed securities and unrealized gain on listed securities	0.10	(0.08)
Net income for the year - per share	3.81	3.22
Final dividend for the year ended 30 June 2006 @ Re.1 (2005: Re.1) per share	(1.00)	(1.00)
Interim dividend for the year ended 30 June 2007 @ Re.1 (2006: Nil) per share	(1.00)	-
Proceeds from issue of right shares	4.99	-
Net assets per share as at 30 June	12.67	11.74

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

DISTRIBUTION STATEMENT

For The Year Ended 30 June 2007

	2007 Rupees	2006 Rupees
Undistributed income/(Accumulated loss) brought forward	25,880,778	(7,388,587)
Net income for the year	114,399,756	48,269,365
Final dividend @ Re. 1 per share for the year ended 30 June 2006 (2005: Re. 1)	(30,000,000)	(15,000,000)
Interim dividend @ Re. 1 per share for the year ended 30 June 2007 (2006: Nil)	(30,000,000)	-
Undistributed income carried forward	<u>80,280,534</u>	<u>25,880,778</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2007

1. Status and nature of business

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

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

2. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and directives issued by the Commission. 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, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or directives issued by Commission differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 or the requirements of the said directives take precedence.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for listed securities, which are stated at their fair values.

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

4. Summary of significant accounting policies

4.1 Investments in listed securities

Investment in listed securities including in associated companies are classified as investments at fair value through profit or loss. These are securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

All investments are initially recognised at cost, being the fair value of the consideration given excluding acquisition charges associated with the investment. After initial recognition, investments are measured at their fair values. Unrealised gains and losses on investments are recognised in income statement of the period.

Fair values of these securities representing listed equity and debt securities are determined by reference to stock exchange quoted market prices at the close of business on balance sheet date.

4.2 Securities under repurchase/resale agreements

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 recognised on an accrual basis considering settlement dates.

4.3. Taxation

4.3.1 Current 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. No charge for current taxation is made in the financial statements if the fund 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.

4.3.2 Deferred Taxation

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The deferred tax asset on unused tax losses has not been recognised in these financial statements, as the fund intends to continue availing the tax exemption in future years and management believes that tax benefit relating to carried forward tax losses would not be utilized.

4.4 Revenue Recognition

4.4.1 Capital Gains

Sales and purchase of securities are recorded on the date of execution of contract. Capital gains or losses, calculated as the difference between the sales proceeds excluding transaction cost, and the carrying amount of a security is included in income statement for the period. Carrying value of the security for this purpose is calculated on an individual portfolio basis using the moving average method.

4.4.2 Dividend

Dividend income is recognised when the right to receive dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.

4.4.3 Profit on Bank Deposits

Profit on bank deposits is recognised on accrual basis.

4.5 Trade date accounting

All regular way purchases / sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sale the investments. Regular way purchase / sale of investments require delivery of securities within three days after the transaction date as required by the stock exchanges regulations.

4.6 Financial Instrument

All the financial assets and liabilities are recognised at the time when the fund becomes a party to the contractual provisions of the instrument.

The Fund de-recognizes a financial asset or portion of financial asset when, and only when, the Fund loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognised from the balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on recognition, de-recognition of financial assets and financial liabilities are stated in their respective notes.

4.7 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 fund has a legally enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.8 Provisions

A provision is recognised when the Fund 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.

4.9 Related party transactions

The related parties comprise directors, key management personnel and associated companies. All transactions with related parties are entered into at an arm's length determined in accordance with "Comparable uncontrolled price method".

4.10 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalent comprise cash in hand, cheques in hand and bank balances.

5. Investments at fair value through profit or loss

Ordinary fully paid shares / certificates have a face value of Rs. 10/- each unless stated otherwise

SECTOR / NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2007		PERCENTAGE IN RELATION TO							
	Holdings at the beginning of the period	Purchased during the year	Burns/Rights received during the year	Sales during the year	Cost	Carrying Amount	Market Value	Unrealized gains/(loss)	Own net Assets At Cost	Market Value	No. of Shares of Investee Company	Total Investment At Cost	Market Value	
					Rs	Rs	Rs	Rs						
Investment Companies / Banks														
First Capital Equities Limited	215,000	-	268,750	-	483,750	5,771,138	16,898,984	34,056,000	17,157,016	1.52	8.96	0.90	2.17	9.66
Pakistan Industrial Credit & Investment Corporation Limited	-	130,000	9,000	89,000	50,000	3,174,000	3,174,080	4,105,000	930,920	0.83	1.08	0.01	1.19	1.16
Arif Habib Limited	-	20,000	-	20,000	-	-	-	-	-	-	-	-	-	-
Arif Habib Securities Limited	-	60,000	-	-	60,000	7,335,600	7,335,426	6,996,000	(339,426)	1.93	1.84	0.02	2.75	1.99
Commercial Banks														
National Bank of Pakistan Limited	60,000	105,000	13,500	95,000	83,500	9,627,550	17,701,274	21,877,000	4,175,726	2.53	5.75	0.01	3.61	6.21
Askari Commercial Bank Limited	-	100,000	-	20,000	80,000	7,602,400	7,602,000	8,472,000	870,000	2.00	2.23	0.03	2.85	2.40
The Bank of Punjab Limited	110,400	154,600	34,345	195,001	104,344	9,024,713	8,994,995	12,156,076	3,161,081	2.37	3.20	0.03	3.39	3.45
MCB Bank Limited	-	135,000	9,750	80,000	64,750	14,927,465	15,145,983	23,633,750	8,487,767	3.93	6.21	0.01	5.60	6.71
Union Bank Limited	140,452	-	-	140,452	-	-	-	-	-	-	-	-	-	-
Bank Al Falah Limited	40,000	90,000	13,500	143,500	-	-	-	-	-	-	-	-	-	-
Payal Bank Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-	-
FPIC Commercial Bank Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Allied Bank Limited	-	34,800	-	34,800	-	-	-	-	-	-	-	-	-	-
United Bank Limited	5,000	85,000	2,500	52,500	40,000	8,910,000	8,910,000	8,798,000	(112,000)	2.34	2.31	0.00	3.35	2.50
Insurance														
Adamijee Insurance Company Limited	-	55,000	-	55,000	-	-	-	-	-	-	-	-	-	-
ERU General Insurance Company Limited	-	12,600	7,400	20,000	-	-	-	-	-	-	-	-	-	-
Textile Composite														
Nishat Mills Limited	105,000	90,000	15,000	130,000	80,000	7,759,200	7,986,000	10,436,000	2,450,000	2.04	2.74	0.05	2.91	2.96
Azgard Nine Limited	-	75,000	-	75,000	-	-	-	-	-	-	-	-	-	-
Synthetic & Rayon														
Dewan Salman Fibre Limited	-	100,000	-	-	100,000	1,374,000	1,374,030	1,055,000	(319,030)	0.36	0.28	0.03	0.52	0.30
Jute														
Thal Limited - Face value Rs. 5/- per share	30,000	100	6,020	36,120	-	-	-	-	-	-	-	-	-	-
Cement														
Atock Cement Pakistan Limited	-	20,000	-	20,000	-	-	-	-	-	-	-	-	-	-
Dewan Cement Limited	41,512	-	-	-	41,512	599,848	655,890	720,233	64,343	0.16	0.19	0.03	0.23	0.20
Dandot Cement Company limited	-	75,000	-	75,000	-	-	-	-	-	-	-	-	-	-
D.G.Khan Cement Company Limited	65,000	259,950	20,005	194,900	150,055	14,531,326	13,734,294	17,481,408	3,747,114	3.82	4.60	0.06	5.46	4.96
D.G.Khan Cement Company Limited (R)	11,250	-	-	11,250	-	-	-	-	-	-	-	-	-	-
Lucky Cement Limited	125,000	215,000	-	195,000	145,000	14,845,100	15,012,967	19,973,750	4,960,783	3.90	5.25	0.06	5.57	5.67
Fanji Cement Company Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	-	-	-
Refinery														
National Refinery Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-
Power Generation and Distribution														
Hob Power Company Limited	-	150,000	-	50,000	100,000	3,167,000	3,166,670	3,670,000	503,330	0.83	0.97	0.01	1.19	1.04
Kot Addin Power Company Limited	150,000	100,000	-	250,000	-	-	-	-	-	-	-	-	-	-

SECTOR / NAME OF COMPANY	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2007			PERCENTAGE IN RELATION TO						
	Holdings at the beginning of the period	Purchased during the year	Bonns/Rights received during the year	Sales during the year	Holding at the year end	Cost	Carrying Amount	Market Value	Unrealized gain/(loss)	Own net Assets		No. of Shares of Investee Company	Total Investment At Cost	Market Value
										At Cost	Market Value			
Oil & Gas Marketing Companies														
Pakistan State Oil Company Limited	7,500	92,500	-	45,000	55,000	20,387,400	20,387,664	21,529,750	1,142,086	5.36	5.66	0.03	7.65	6.11
Attock Petroleum Limited	-	35,000	-	35,000	-	-	-	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-
Oil & Gas Exploration Companies														
Pakistan Oil Fields Limited	47,000	58,000	-	45,000	60,000	17,499,600	20,350,656	19,020,000	(1,330,656)	4.60	5.00	0.03	6.57	5.40
Oil & Gas Development Company Limited	125,000	215,000	-	55,000	285,000	29,896,500	37,789,746	34,143,000	(3,646,746)	7.86	8.98	0.01	11.23	9.69
Pakistan Petroleum Limited	27,500	72,500	-	30,000	70,000	16,643,900	16,820,181	18,371,500	1,551,319	4.38	4.83	0.01	6.25	5.21
Automobile Assembler														
Indus Motors Limited	30,000	40,000	-	45,000	25,000	7,392,500	7,392,475	7,697,500	245,025	1.94	2.01	0.03	2.78	2.17
Pak Suzuki Motor Company Limited	15,100	24,400	5,000	29,500	15,000	4,492,500	3,399,521	5,880,000	2,480,479	1.18	1.55	0.02	1.69	1.67
Millat Tractors Limited	-	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-
Cable & Electrical Goods														
Pak Elektron Limited	100,000	10,000	-	110,000	-	-	-	-	-	-	-	-	-	-
Technology & Communication														
Pakistan Telecommunication Company Limited - A	120,000	315,000	-	175,000	260,000	15,035,800	12,055,056	14,820,000	2,764,944	3.95	3.90	0.01	5.65	4.20
TRG Pakistan Limited	-	50,000	-	-	50,000	715,000	715,000	820,000	105,000	0.19	0.22	0.01	0.27	0.23
Callmate Tehlps Telecom Limited	-	75,000	-	75,000	-	-	-	-	-	-	-	-	-	-
Fertilizer														
Engro Chemical Limited	-	141,300	12,195	60,000	93,495	18,125,835	18,125,892	23,654,235	5,528,343	4.77	6.22	0.06	6.81	6.71
Fauji Fertilizer Company Limited	71,500	85,000	-	10,000	146,500	15,502,630	17,199,774	17,763,125	563,351	4.08	4.67	0.03	5.82	5.04
Fauji Fertilizer Bin Qesim Limited	230,000	440,000	-	345,000	325,000	10,042,500	10,069,052	12,675,000	2,605,948	2.64	3.33	0.03	3.77	3.60
Chemicals														
ICI Pakistan Limited	-	20,100	-	20,100	-	-	-	-	-	-	-	-	-	-
Paper & Board														
Packages Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-	-
Miscellaneous														
Tri-Pack Films Limited	-	40,000	-	20,000	20,000	1,950,000	1,950,000	2,696,000	746,000	0.51	0.71	0.07	0.73	0.76
Total														
30 June 2006						266,333,505	293,947,610	352,440,327	58,492,717					
						145,352,866	160,446,447	173,922,693	13,476,246					

5.1 Shares of Engro Chemicals Pakistan Limited as at 30 June 2007 include 12,195 right shares pending allotment.

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

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

5.4 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.

First Capital Mutual Fund Limited

	<i>Note</i>	2007 Rupees	2006 Rupees
6 Other income			
Profit on bank deposits		3,401,940	35,980
Other income		493	3,329
		3,402,433	39,309
7 Dividend and other receivables			
Dividend receivable		1,358,125	839,634
Receivable on account of sale of listed securities unsecured-considered good		14,688,625	-
Profit on bank deposits		292,055	-
Advance tax		441,615	57,024
		16,780,420	896,658
8 Bank balances			
Cash at bank:			
Current accounts		1,355,859	5,716,749
Deposit accounts		49,456,926	857,114
		50,812,785	6,573,863
9 Due to investment adviser - an associated company			
Balance as at 01 July		3,474,750	2,624,117
Remuneration for the year @ 2% of average annual net assets	9.1	6,772,792	3,474,750
		10,247,542	6,098,867
Less: Payments made during the year		(3,474,750)	(2,624,117)
		6,772,792	3,474,750

9.1 The remuneration of the Investment Adviser, First Capital Investments Limited, an associated company, 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 Fund. The remuneration of the Investment Adviser has been determined as follows:

First Capital Mutual Fund Limited

	<i>Note</i>	2007	2006
		Rupees	Rupees
The net assets of the Fund as at 30 June 2007 are calculated as follows:			
Average annual net assets before charging remuneration of Investment Adviser and annual fee to SECP.		338,639,585	173,737,492
2% of annual average net assets		<u>6,772,792</u>	<u>3,474,750</u>

10 Trade and other payables

Accrued custodian fee		60,000	102,203
Payable on account of purchase of listed securities		716,429	28,445
Audit fee		200,000	299,850
Annual fee to Securities and Exchange Commission of Pakistan		338,690	173,737
Unclaimed dividend		1,702,587	1,308,951
		<u>3,017,706</u>	<u>1,913,186</u>

11 Dividend payable

This amount represents the interim dividend payable at Re. 1 per share for the year ended 30 June 2007 as approved by the board of directors in their meeting held on 01 June 2007.

12 Issued, subscribed and paid-up capital

12.1 Ordinary shares of Rs. 10 each fully paid in cash

	2007	2006		2007	2006
	Number of shares			Rupees	Rupees
15,000,000	15,000,000		Opening balance	150,000,000	150,000,000
15,000,000	-		Right shares (100%) issued during the year at par value i.e. Rs.10 per share	150,000,000	-
<u>30,000,000</u>	<u>15,000,000</u>		Closing balance	<u>300,000,000</u>	<u>150,000,000</u>

12.2 First Capital Investments Limited, an associated company, holds 3,430,880 (2006: 1,954,500) ordinary shares of Rs. 10 each representing 11.44% (2006: 13.03%) of the issued, subscribed and paid up capital of the Fund.

	2007	2006
	Rupees	Rupees
13 Contingencies and commitments		
13.1 Contingencies		
Nil (2006: Nil)		
13.2 Commitments		
Nil (2006: Nil)		
14 Listing, regulatory and central depository company fee		
Central Depository Company of Pakistan Limited fee	183,690	33,750
Listing and regulatory expenses	260,567	245,450
Annual fee to Securities and Exchange Commission of Pakistan	338,690	173,737
	<u>782,947</u>	<u>452,937</u>
15 Auditors' remuneration		
Statutory audit	175,000	150,000
Half year review	75,000	60,000
Special certifications	-	80,000
Out of pocket expenses	35,000	28,645
	<u>285,000</u>	<u>318,645</u>
16 This amount includes take-up commission of Rs 824,109 and Rs 149,838 paid to related parties Al-Hoqani Securities and Investment Limited and First Capital Investments Limited respectively during the year for the right issue made.		
	2007	2006
	Rupees	Rupees
17 Taxation		
Current year	-	-
Prior year	-	602,530
	<u>-</u>	<u>602,530</u>

18 Earnings per share - basic		2007 Rupees	2006 Rupees
Profit attributable to ordinary shareholders	<i>Rupees</i>	<u>114,399,756</u>	<u>48,269,365</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>28,972,603</u>	<u>15,000,000</u>
Earnings per share	<i>Rupees</i>	<u>3.95</u>	<u>3.22</u>

There is no dilutive effect on the basic earnings per share.

19 Transactions with related parties and connected persons

The transactions with related parties and connected persons are as follows:

	<i>Note</i>	<u>2007 Rupees</u>	<u>2006 Rupees</u>
<u>Associates</u>			
Underwriting commission		-	975,000
Take up commission		973,947	-
Fee to investment adviser	9	6,772,792	3,474,750
Sale proceeds of shares		-	90,172
Dividend paid		3,430,880	1,500,000

19.1 Amount due to associates at the year end is disclosed in note 9 of these financial statements.

	<u>2007 Rupees</u>	<u>2006 Rupees</u>
<u>Others</u>		
Dividend paid	16,291,230	3,900,926
<u>Connected persons</u>		
Dividend paid	5,244,330	-

20. Financial instruments and related disclosures

20.1 The effective interest rates of financial assets and financial liabilities are summarized as follows:

2007	Interest bearing				Non interest bearing				Total
	Rupees				Rupees				
	One month to three months	Three months to one year	One Year to five years	More than five year	One month to three months	Three months to one year	One year to five years	More than five years	
Financial Assets - 2007									
Investments at fair value through profit or loss	-	-	-	-	352,440,327	-	-	-	352,440,327
Dividend and other receivables	-	-	-	-	16,338,805	-	-	-	16,338,805
Long term deposit	-	-	-	-	-	-	-	37,500	37,500
Bank balances	-	49,456,926	-	-	1,355,859	-	-	-	50,812,785
	-	<u>49,456,926</u>	-	-	<u>370,134,991</u>	-	-	<u>37,500</u>	<u>419,629,417</u>
Effective interest rates	9.5% to 11.5%								
Financial Liabilities									
Due to Investment Adviser	-	-	-	-	6,772,792	-	-	-	6,772,792
Trade and Other Payables	-	-	-	-	3,017,706	-	-	-	3,017,706
Dividend payable	-	-	-	-	30,000,000	-	-	-	30,000,000
	-	-	-	-	<u>39,790,498</u>	-	-	-	<u>39,790,498</u>
On Balance Sheet Gap	-	<u>857,114</u>	-	-	<u>330,344,493</u>	-	-	<u>37,500</u>	<u>379,838,919</u>
Financial assets - 2006									
Investments at fair value through profit or loss	-	-	-	-	173,922,693	-	-	-	173,922,693
Dividend and other receivables	-	-	-	-	839,634	-	-	-	839,634
Long term deposits	-	-	-	-	-	-	-	37,500	37,500
Bank balances	-	857,114	-	-	5,716,749	-	-	-	6,573,863
	-	<u>857,114</u>	-	-	<u>180,479,076</u>	-	-	<u>37,500</u>	<u>181,373,690</u>
Effective interest rates	1% to 2%								
Financial Liabilities									
Due to Investment Adviser	-	-	-	-	3,474,750	-	-	-	3,474,750
Trade and Other Payables	-	-	-	-	1,913,186	-	-	-	1,913,186
	-	-	-	-	<u>5,387,936</u>	-	-	-	<u>5,387,936</u>
On Balance Sheet Gap	-	<u>857,114</u>	-	-	<u>175,091,140</u>	-	-	<u>37,500</u>	<u>175,985,754</u>

20.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is not exposed to major concentration of credit risk.

20.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all

securities traded in the market. The investment adviser manages the market risk by monitoring exposure on listed securities by following the investment guidelines approved by the investment committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

20.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The investment adviser manages the liquidity risk by maintaining maturities of financial assets and liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

20.5 Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Fund does not have any significant financial assets or financial liabilities which carry variable interest rates, hence is not subject to any cash flow risk.

20.6 Fair value of financial assets and financial liabilities

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

21 Date of authorisation for issue

These financial statements were authorised for issue on 05 October 2007 by the board of directors.

22 Standards, interpretations and amendments to international accounting standards

The following standards, amendments and interpretations of international accounting standards are effective for accounting period beginning on or after 01 January 2007.

- IAS - 1 Presentation of financial statements - amendments relating to capital disclosures
- IFRS - 2 Share based payments
- IFRS - 3 Business combinations
- IFRS - 5 Non-current assets held for sale and discontinued operations
- IFRS - 6 Exploration for and evaluation of mineral resources
- IFRIC - 8 Scope of IFRS 2 share based payments
- IFRIC - 9 Reassessment of embedded derivatives
- IFRIC - 10 Interim financial reporting and impairment
- IFRIC - 11 Group and treasury share transactions
- IFRIC - 12 Services concession arrangements

These are either not relevant to the Fund's operations or are not expected to have significant impact on Fund's financial statements, however in certain cases increased disclosures is required.

23 General

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. Listing, regulatory and central depository company fee, legal and professional charges, custodian fee, auditors' remuneration and bank charges have been shown on the face of income statement, previously these have been disclosed in administrative expenses.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PERFORMANCE TABLE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net assets (Rupees)	380,280,534	176,042,778	142,611,413	118,516,776	97,374,821	85,688,772	87,662,772	92,445,566	83,897,790	77,767,270
Profit/(loss) after tax (Rupees)	114,399,756	48,269,365	24,094,637	21,141,955	49,185,918	(1,973,869)	(4,782,794)	16,047,776	6,130,521	(27,643,177)
Net assets value per share (Rupees)	12.68	11.74	9.51	7.91	6.49	5.71	5.84	6.16	5.59	5.18
Earnings/(loss) per share (Rupees)	3.95	3.22	1.61	1.41	3.28	(0.13)	(0.32)	1.07	0.41	(1.84)
Rate of dividend (%)	10%	10%	10%	Nil	25%	Nil	Nil	5%	Nil	Nil

**PROFIT & LOSS ACCOUNT IN RELATION
TO THE INVESTMENT ADVISER**

For the Year Ended 30 June 2007

	2007	2006
	Rupees	Rupees
		Restated
INCOME		
Investment advisory fee	9,392,361	9,150,690
Dividend income	861,760	-
Capital (loss)/gain	(708,674)	1,350,279
Underwriting commission	-	150,000
Take-up commission	149,838	-
Unrealized gain / (loss) on remeasurement of investments at fair value through profit or loss	1,335,728	(727,200)
	11,031,013	9,923,769
EXPENDITURES		
Operating expenses	9,482,125	6,461,723
Finance cost	89,744	2,935
OPERATING PROFIT	1,459,144	3,459,111
Other (charges)/income	(56,973)	689,713
Share of profit from associates	11,439,976	4,887,190
PROFIT BEFORE TAXATION	12,842,147	9,036,014
Taxation	248,172	898,498
Share of taxation from associates	-	60,253
PROFIT AFTER TAXATION	12,593,975	8,077,263
Earnings per share- Basic	3.31	2.13

LAHORE

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING

As At 30 June 2007

INCORPORATION NUMBER: 0033995 of 08-01-1995

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1658	1	-	100	158,609
221	101	-	500	74,259
93	501	-	1000	88,140
128	1001	-	5000	369,427
42	5001	-	10000	364,000
10	10001	-	15000	126,758
13	15001	-	20000	232,367
8	20001	-	25000	189,500
4	25001	-	30000	111,500
3	30001	-	35000	103,000
2	35001	-	40000	76,500
1	45001	-	50000	50,000
1	50001	-	55000	55,000
1	65001	-	70000	70,000
1	85001	-	90000	89,000
1	95001	-	100000	100,000
1	140001	-	145000	143,097
1	145001	-	150000	147,403
1	195001	-	200000	198,500
1	200001	-	205000	202,500
1	210001	-	215000	212,000
1	275001	-	280000	279,000
1	300001	-	305000	303,500
1	305001	-	310000	309,500
1	375001	-	380000	380,000
1	1495001	-	1500000	1,500,000
1	1930001	-	1935000	1,930,880
1	2235001	-	2240000	2,239,040
1	2755001	-	2760000	2,758,000
1	3230001	-	3235000	3,233,600
1	5240001	-	5245000	5,244,330
1	8660001	-	8665000	8,660,590
2203				30,000,000

PATTERN OF SHAREHOLDING
As At 30 June 2007

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	60,000	0.200
Associated Companies, undertakings and related parties.	20,323,110	67.744
NIT and ICP	290,600	0.969
Banks, Development Financial Institutions, Non Banking finance Companies	800	0.003
Modarabas and Mutual Funds	49,300	0.164
Insurance Companies	15,500	0.052
Share holders holding 10% or more	25,566,440	85.221
General Public		
a) Local	2,953,820	9.846
b) Foreign	16,957,230	56.524
Others		
- Joint Stock Companies	5,861,870	19.540
- Foreign Companies	380,000	

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

PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
As At 30 June 2007

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
Associated Companies, undertaking and related parties	
First Capital Investments Limited	3,430,880
Sulieman Ahmed Said Al-Hoqani	16,892,230
NIT and ICP	
Investment Corporation of Pakistan	100
National Bank of Pakistan	290,500
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (Director)	56,000
Kamran Hafeez (CEO) *	-
Muhammad Naveed Tariq (Director)	1,000
Ahmad Bilal (Director)	1,000
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	1,000
Mahmood Ali Athar (Director)	500
Muhammad Musharaf Khan (Director)	500
Executives	-
Public Sector Companies and Corporations	5,861,870
Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Modarabas and Mutual Funds etc.	65,600
Shareholders holding 10% or more voting interest in the Company	
First Capital Investments Limited	3,430,880
Sulieman Ahmed Said Al-Hoqani	16,892,230
First Capital Equities Limited	5,244,330

* Mr. Kamran Hafeez appointed as Chief Executive/Director subsequent to the year.

First Capital Mutual Fund Limited

FORM OF PROXY

The Company Secretary
First Capital Mutual Fund Limited
103-C/II, Gulberg-III
Lahore

Folio No./CDC A/c No.
Shares Held:

I / We of
(Name) (Address)

being the member (s) of First Capital Mutual Fund Limited hereby appoint Mr. / Mrs./

Miss of
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. of
(Name) (Address)

[who is also member of the Company vide Registered Folio No. (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on October 30, 2007 at 11:30 a.m. and at any adjournment thereof.

Signature this Day of 2007

(Witnesses)

- 1.
2.

Affix Revenue Stamp of Rupees Five

Signature
(Signature appended should agree with the specimen signature registered with the Company.)

Notes:

- 1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

